

BUSINESS WEEK

DEC. 10, 1949

A MCGRAW-HILL PUBLICATION



YEAR
AGO.



C. A. Putnam: New England machinery builder to head N. A. M. (pages 6, 26)

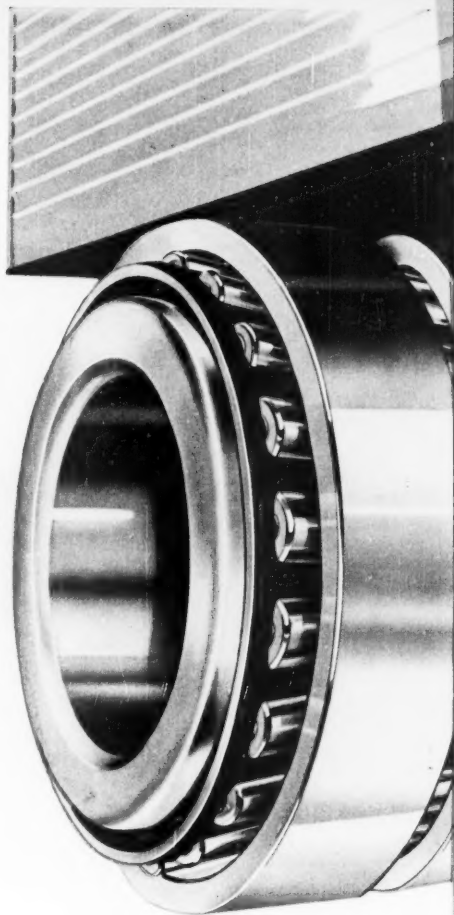
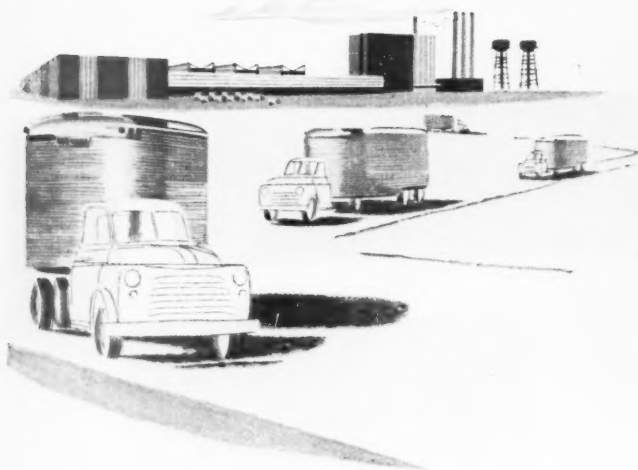
BUSINESS
WEEK
INDEX

**What Businessmen
Worry About** — PAGE 19

TWENTY FIVE CENTS

BOWER BEARINGS ARE

SPHER-O-HONED



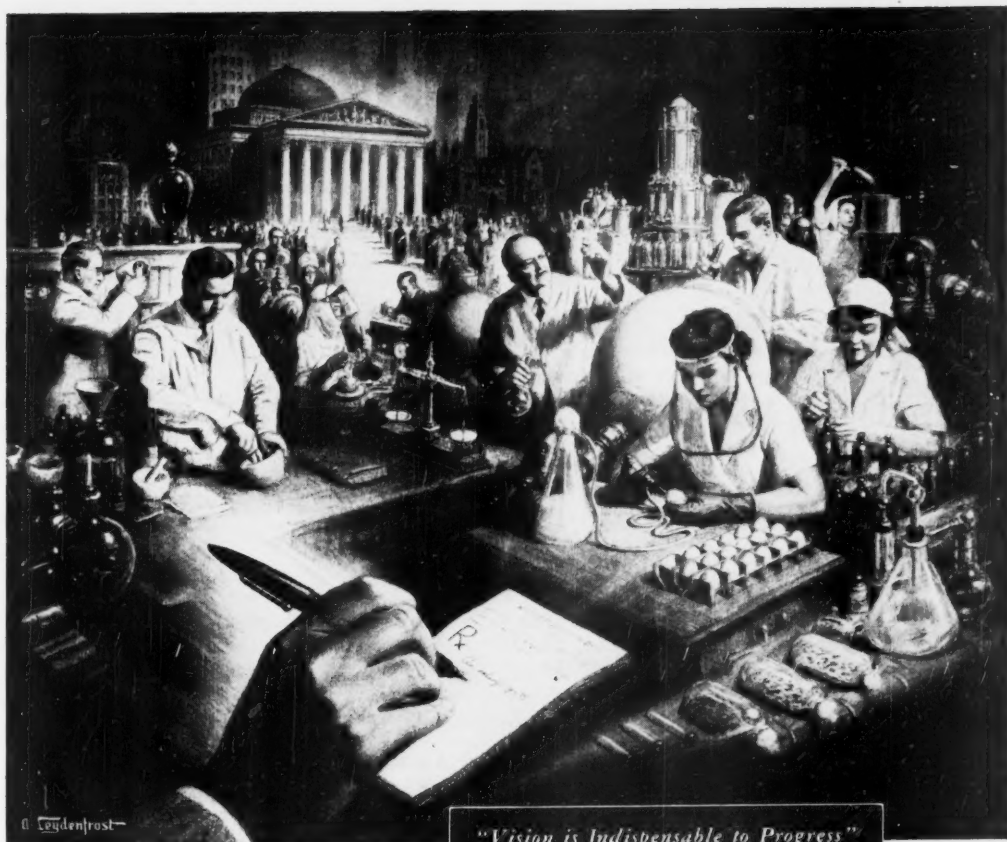
BEARINGS YOU'LL NEVER NEED TO PAMPER

A daily ton-mile miracle—impossible yesterday, commonplace today—that's the operating record of America's vast tractor-trailer fleet. Matching the pace of the highway age, the flow of goods across the nation has constantly increased the demands on equipment. ★ An important factor in meeting this challenge is Bower Spher-O-Honed bearings. Unique advances in design, in toughness and durability, in precision of finish—these contribute the positive dependability and wear resistance a modern trailer bearing must have to stand the gaff of day-and-night schedules. ★ Whatever you manufacture—from truck trailers to aircraft, from farm machinery to electric motors—Bower Spher-O-Honed bearings can help make yours a better product.

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BOWER
ROLLER BEARINGS





"Vision is Indispensable to Progress"

Do you know what lies behind the symbols your doctor writes on his prescription pad?

Your doctor has at the tip of his pen the vast resources of America's forward-looking pharmaceutical industry. The symbols in his prescription, and the drugs he administers, bring relief and comfort to millions—

Insulin to lengthen the life of the diabetic . . . serums for scarlet fever and diphtheria . . . liver extract and folic acid to combat certain anemias.

Ether, cyclopropane and barbiturates for merciful anesthesia . . . sulfa drugs, penicillin and streptomycin to fight many types of infection—plus thousands of other products developed and tested under the vigilant supervision of skilled pharmacologists.

In the pharmaceutical industry's research laboratories, devoted scientists work amid glass tubes and retorts, microscopes and centrifuges, in a never-ending search for new drugs to conquer disease and pain.

Certain stubborn infectious diseases are already yielding to newly discovered antibiotics—chemicals obtained from micro-organisms such as molds and bacteria.

In the new era that lies ahead, many baffling diseases may reasonably be expected to fall before the patient research of the nation's scientists.

The final link in this humanitarian chain is the college-trained pharmacist in your neighborhood drug store. His skilled hands compound and dispense the medicines that aid your physician in his struggle against suffering.

Every man, woman and child benefits from the far-sighted work of the pharmaceutical industry, and from the untiring efforts of the professional people through whom its products are translated into safer, healthier, longer lives.

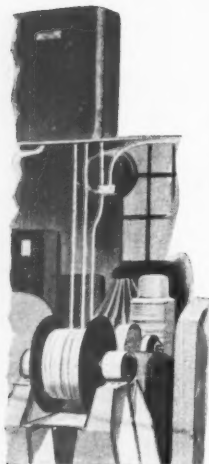
This kind of enlightened leadership is typical of American industry. It is another example of how private, competitive business, backed by the savings of hundreds of thousands of investors, provides valuable products and services. Labor, management, shareholders and the public are the beneficiaries.

BANKERS TRUST COMPANY
NEW YORK

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

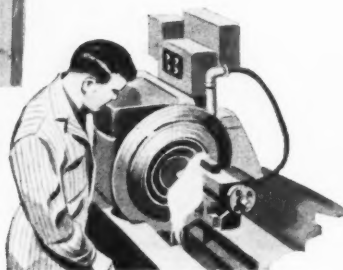


BEST BET TO



Boosted winding rate 300%

Here's a gain chalked up on the wire rewinders of a Pennsylvania steel company, by installing G-E adjustable-speed drives.

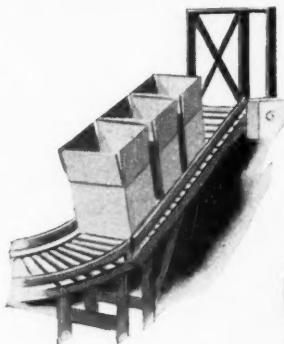
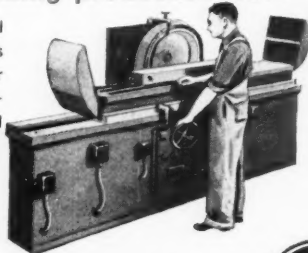


Raised turning output 66%

This was worked out by specifying adjustable-speed drive on an automatic lathe.

Increased grinding production 40%

This gain was achieved on a Buffalo company's face and knife grinder with—you guessed it—an adjustable-speed drive.

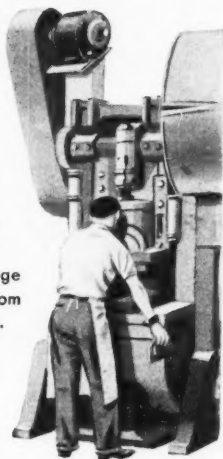


Speeded packaging 55%

Output of a box-sealing machine, newly equipped with adjustable-speed drive, jumped from 38,000 to 60,000 cartons per hour.

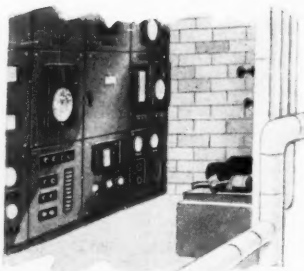
Stepped up punching 968%

A feat performed on a large punch press, hiking output from 78 to 800 parts per minute.



Speeded proportioning

A chemical manufacturer found it possible to go from batch to continuous processing in the production of phthalic anhydride by using adjustable-speed drives.



GENERAL  ELECTRIC

BOOST OUTPUT

General Electric adjustable-speed drives
can increase the output of your machines—
make them more accurate, more versatile

Extra production you never expected may be ready to roll from your driven machines. Call it bonus production, since you get it by using improved speed control, and not by adding new machines. You can expect even more than boosted output from properly applied adjustable speed—it's a single-handed help in improving product quality, minimizing waste of time and materials, and cutting down on rejects.

Adjustable-speed drives have been around for years. But General Electric has brought them to a new high in versatility and power to work production miracles. Now you can buy G-E drives precision-engineered to your machines, at mass-production prices. Now you can choose from a complete line of General Electric Drives—packaged drives providing utmost flexibility. G-E drives offer plants that can use better speed control a

quick way to halt the squeeze on profits.

TO UNCOVER OPPORTUNITIES for saving through the application of adjustable speed in *your* plant, General Electric offers this help:

First, the assistance of specially trained sales engineers who bring you the benefits of experience gained in applying adjustable speed to practically every kind of machine in practically every industry. Pick up your phone now and call your nearest G-E field office. You'll find the telephone number listed in your directory.

Second, a comprehensive, carefully illustrated book on the *whole* subject of adjustable speed. It's written from management's viewpoint, but backed up with all the facts an engineer needs. Write for your copy. *Apparatus Department, Sec. 751-1, General Electric Company, Schenectady 5, N. Y.*

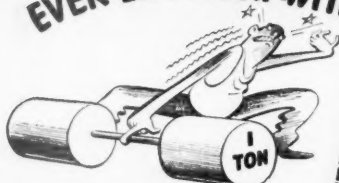
New G-E Booklet on Adjustable-speed Drives



Your copy of the new 24-page adjustable-speed booklet is ready. Please write for Bulletin GEA-5334 on your business letterhead.



EVER LIFT A TON WITH YOUR FINGER



it's easy with
MOBILIFT

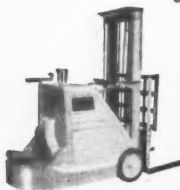


Three little easy-to-operate levers at fingertip level do all the work on a Mobilift. One hoists loads of a ton or more up to ceiling height. Another controls the tilt of the load. A third lever regulates the machine's travel speed. To make Mobilift even easier to operate it has no gears to shift—going forward or backward at the touch of a lever.

Such ease of operation has built Mobilift a reputation as the most maneuverable of all lift trucks—more trips per hour, more tons of materials per day. Let us show you why Mobilift's easy handling makes such a hit with both warehouse operators and business executives.

Mail the coupon below and we'll send you illustrated literature that explains more about Mobilift's cost-cutting advantages.

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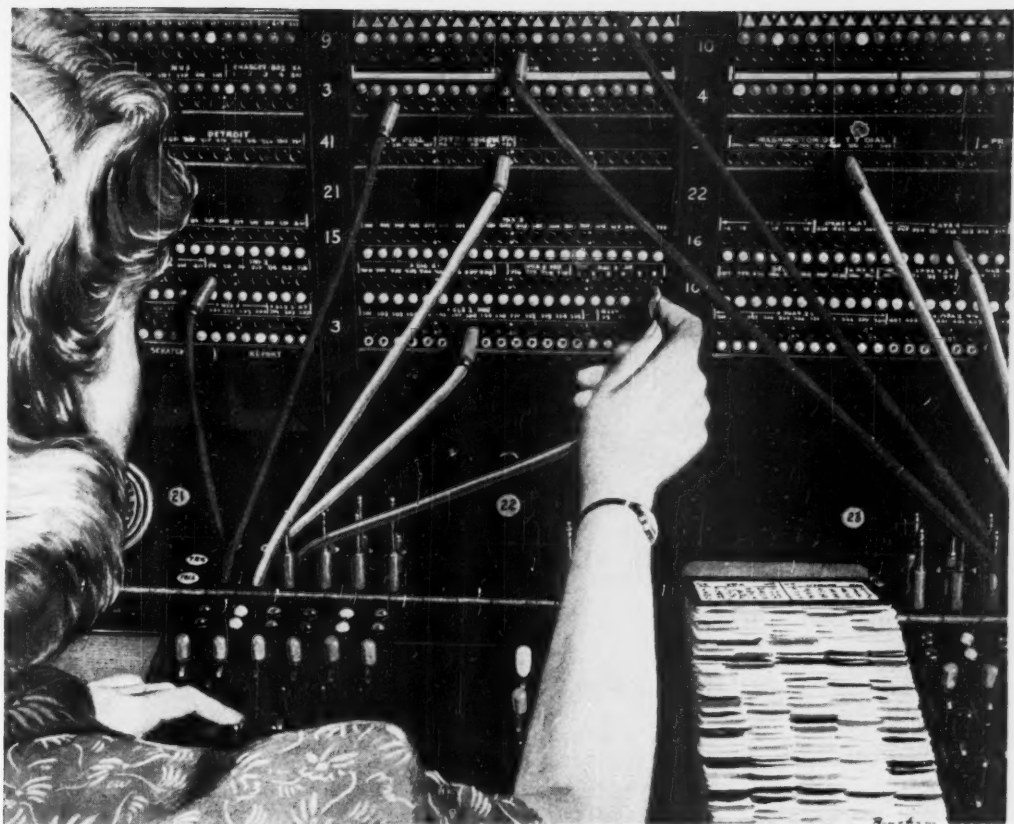
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BUSINESS WEEK • Dec. 10, 1949



What's the connection?

TO give you good service, your Bell Telephone company must have good switchboards, cables, telephones, and literally thousands of different types of equipment. Each must be *designed*, then *manufactured*, so that all can *operate* together perfectly in carrying your voice quickly and clearly across the street or across the nation.

Do you know Western Electric's connection with all this? For sixty-seven years, we have

been the manufacturing unit of the Bell System. This has assured a dependable source of good equipment—efficiently and economically produced to meet the needs of telephone users.

• As members of the Bell System, Western Electric people who *make* equipment, Bell research people who *design* it and Bell Telephone company people who *operate* it all work together with one aim: Good telephone service for you at the lowest possible cost.

Western Electric



A UNIT OF THE BELL SYSTEM SINCE 1882

ASK
STOKES

75% SAVED on this Part

HERE IS A PART which costs \$45.00 a thousand to make by conventional methods...cutting, milling, drilling, broaching and reaming.

Made in powder metal, it costs \$11.04 per thousand, including all items of overhead, such as supervision, burden, depreciation, maintenance, floor space and power.

The tolerance of the hole (bored simultaneously with the body of the part) is $\pm .0005$, and the hardness is Brinell C 50.

Parts made from powder metal can be designed for such properties as high tensile strength, hardness, ductility, corrosion resistance, self-lubrication, controlled porosity, or a combination of several such factors.

Stokes offers a complete advisory service on this profitable production method, including study of suitability of the part

for powder metal production, design, powder selection, press selection and sintering. Send your parts or blueprints for free analysis and report.

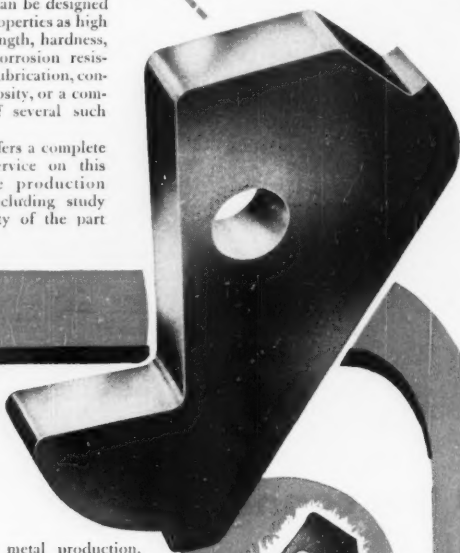
F. J. Stokes Machine Company,
5956 Tabor Road,
Philadelphia 20, Pa.



Stokes makes Vacuum and Special Processing Equipment, High Vacuum Pumps and Gages, Pharmaceutical Equipment, Industrial Tabletting and Powder Metal Presses, Plastics Molding Presses, Water Still and Special Machinery.

STOKES

KNOWS
HOW



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THE COVER

The business of Markem Machine Co. is to build marking machines and marking-ink compounds and other accessories. Its machines make marks on products, containers, and labels of a great variety: from shirttails to shoe linings; from box ends to grinding wheels.

Markem is located at Keene, N. H. But its output is not limited to New Hampshire or to New England. Markem machines are sold widely in the U.S. and abroad.

The company's president is C. A. Putnam. This week he became a double-barreled president by succeeding Wallace F. Bennett as the active head of the National Assn. of Manufacturers.

Putnam went to work for Markem as soon as he finished his public-school education in 1909. His first job was as a machinist. Not long after he was employed, he was sent to Boston to help set up an exhibit of new machines to be shown at an exposition in Mechanics Hall. After the exposition closed, he went on the road as an erector to set up some of the machines that had been sold there.

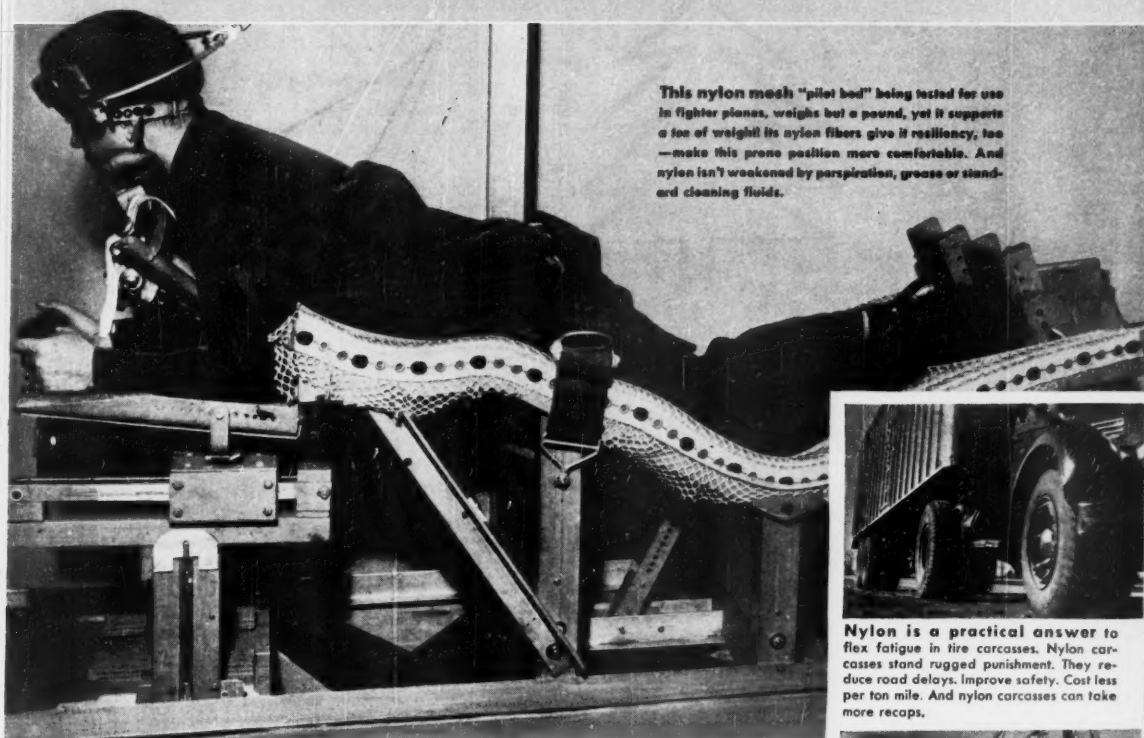
That experience gradually developed Putnam into an "inside-out" salesman. His knowledge of the marking machines and his selling ability proved so valuable to the company that he finally became both president and sales manager of Markem.

Putnam's pleasant New England speech has become familiar to many members of N.A.M. His ideas about keeping in close touch with his employees and his interest in seeing younger men move rapidly into responsible positions have often been aired in discussions with other businessmen.

Putnam has one son, one daughter, and nine grandchildren. His son, David, joined his father at Markem in 1936 after graduating from Dartmouth, another New Hampshire institution known far beyond New England.

—Complete story on N.A.M. starts on page 26. Cover photograph by Dick Walters.

HOW NYLON BUILDS PRODUCTS STRONGER, LIGHTER (better in other ways, too)



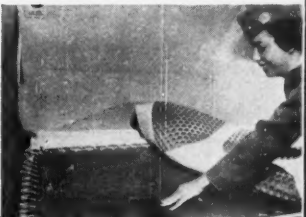
This nylon mesh "pilot bed" being tested for use in fighter planes, weighs but a pound, yet it supports a ton of weight! Its nylon fibers give it resiliency, too — make this prone position more comfortable. And nylon isn't weakened by perspiration, grease or standard cleaning fluids.



Nylon is a practical answer to flex fatigue in tire carcasses. Nylon carcasses stand rugged punishment. They reduce road delays. Improve safety. Cost less per ton mile. And nylon carcasses can take more recaps.



Strong, durable nylon cargo net weighs only one-third as much as other nets. Wet or dry, keeps its strength and lightness. Isn't weakened by rot or mildew. Nylon rope also has great abrasion resistance and flex life.



Nylon substitutes for springs under this airplane mattress. Much lighter than springs, this nylon fabric is less bulky as well. Strong and long-wearing, it gives passengers the sleeping comfort that makes friends for airlines.

Du Pont NYLON fibers give you all these properties

Can they help you increase the efficiency of a product you make . . . improve a production process . . . help create a new product?

- High strength—light weight
- Toughness—durability
- Elasticity—flexibility
- Low moisture absorption
- Quick drying—easy cleaning
- Can be "heat set" to hold shape
- Resistance to ALKALIES—
HYDROCARBONS—OILS—PETROLEUM
- Not weakened by MILDEW or
SOIL ROT

Let us help YOU work with nylon. Write and tell us your fiber or fabric problems. And be sure to ask for our helpful booklet, "Nylon Textile Fibers in Industry." Address Room 6510-X, Nylon Division, E. I. du Pont de Nemours & Co. (Inc.), Wilmington 98, Delaware.



BETTER THINGS FOR BETTER LIVING
... THROUGH CHEMISTRY

For nylon...for rayon...for fibers to come...look to Du Pont



MERRY Christmas

May your holiday be merry and bright . . . yes, bright with the pleasure and peace of yuletide . . . and bright with the merriment and cheer of good fellowship.

In city and country, on farm and in penthouse . . . thousands of electric lamps will help light the season's festivities and lend cheer to gay gatherings.

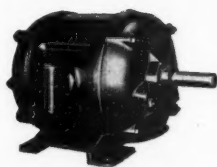
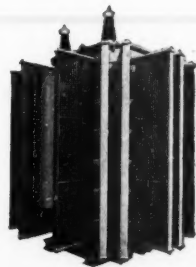
Christmas would seem incomplete without the help of electricity . . . the same electricity that helps make the products and provisions that are not only important at Christmas but every day of the year. Just as it provides the twinkling gems of light on your Christmas tree, it serves throughout the year to help you to another even brighter Christmas.

* * *

Electricity is more important than you may think. Just about everything good depends at some time on electric power. Wagner Transformers and Wagner Motors serve you, and the industries that serve you, through helping provide the power for every need and pleasure. Wagner products are famous for dependable, trouble-free service at farm, home and industrial applications.

Wagner Electric Corporation

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ELECTRIC MOTORS • TRANSFORMERS
INDUSTRIAL BRAKES
AUTOMOTIVE BRAKE SYSTEMS — AIR AND HYDRAULIC

BUSINESS OUTLOOK

BUSINESS WEEK
DECEMBER 10, 1949



Business is getting a general rebound after the coal and steel strikes. So far, the pickup has been every bit as good as its advance notices.

Steel operations hit 91.7% of capacity this week. That's the highest since last May.

Just before the strike, the steel rate was around 85%—and a big slice of output was going into stockpiles. Steel users saw what was coming. They overordered so they could build inventories.

Today's steel output is running well ahead of consumption, too. Strike-depleted inventories have to be filled again.

■
Even in November, employment showed no strike effects.

The Census Bureau counted noses in the week ended Nov. 12, just as the steel strike ended. It estimates total employment at 59.5-million.

That's a gain of half a million over October. Secretary of Commerce Sawyer says the job outlook is "perhaps more favorable than at any previous time this year."

There is this hitch, though: The gain in the total would have been a lot less impressive if the number of farm workers had dropped as it usually does at this time of year. Good weather in November prolonged the harvest season. Farm employment actually rose a little over October.

■
All of a sudden the stock market has lined up with the optimists. Stock prices this week hit their best levels since 1946 (page 84).

If Wall Street means what it is saying, then things look better to it now than they have at any time in the past three years.

Even last year's pre-election rally didn't take the market this far. That, you remember, was when business was at the peak of the postwar boom. And Dewey looked like a shoo-in.

•
Businessmen generally are feeling pretty chipper.

Periodically, Business Week checks up on what's worrying businessmen. This time it found most of them counting on a bang-up year in 1950. Few seemed to have any problems they didn't think they could lick (page 19).

This attitude could do a lot to boost business—just by itself.

Worry over prices and inventories was one of the main reasons for the recession early this year. General confidence could put the kick into a new boom in 1950.

•
There still are some dark spots in the business picture, though. Until they clear up, you will have to hedge your 1950 forecasts.

Expenditures for new plant and equipment are due to drop some more next year.

Capital spending already is running well under last year's rate. Now we have the first estimates for 1950 (page 20). They show capital outlays in the first quarter running 14% behind 1949.

•
Capital spending has been one of the mainstays of the postwar prosperity. It isn't the only one, of course. And there will be offsets in 1950.

Increased government spending will make up for some of the drop.

But as long as private capital outlays are shrinking, keep an eye out for trouble.

This is where the stock market might help. A real bull market would give business a chance to get new money on favorable terms. A lot of

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
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industries would like to modernize their plants—if they could get the money.

Bank loans to business turned down in the middle of November.

That's another warning sign. A drop in business loans usually means that somebody is trimming inventories.

The steel strike forced some liquidation in hard-goods stocks. Retailers couldn't replace the goods they sold.

But retail sales generally haven't been anything to shout about so far this season. Retailers hope for the best. But they are trying to keep inventories down to bedrock.

In the textile trade, they are building inventories. "Make yourself inflation-proof."

That's the slogan you hear around textile houses these days, particularly among cutters.

What they mean is build inventories; they're better than cash.

This is a factor in the heavy demand all through textiles. It could backfire, as it did a year ago. Remember how 80-squares in cotton, for example, crashed from over 40¢ a yd. to 19¢.

Look for resumption of international control over price and production of tin.

Producing countries held a preliminary meeting at The Hague in October. That sets the stage for production control. Writing an acceptable agreement on output, however, may take some time.

Closer at hand is a new "buffer pool." Such a pool successfully stabilized the price before the war. Managers of the pool would be the major producers.

The idea is to accumulate tin in the pool when supplies exceed demand, sell when the reverse is true. Our stockpilers, under this plan, would be expected to buy from the pool and thus not disturb open market prices.

Tin has been coming into this country below the price set on our own refinery output by the Reconstruction Finance Corp.

Here's why: Output is running ahead of demand. Far Eastern producers have been shading the RFC quotation.

The British and Dutch governments have an interest in this—as well as the producers themselves. Tin means dollars to these governments.

Conditions in the copper market are quieter—but the trade feels the price is solid at 18½¢ a lb. for at least 90 days.

Consumption of the red metal in October, though large, was a little disappointing. Copper contained in products shipped by fabricators totaled 107,000 tons; some had expected a figure of at least 115,000.

The big wind that hit the Iowa Corn Belt in October made itself felt in the Chicago hog market, too.

In September, farmers were marketing their hogs lighter than usual. They hoped to sell them early, beat the seasonal drop in prices.

Came the wind, and shipments of the lightweight hogs to Chicago dropped abruptly. Farmers were using them to harvest the corn that had blown down. Now these porkers are coming into the market.



Moore Continuous Marginal Punched Forms provide clear, clean copies on the new IBM Electric Accounting Machine

This magic dotted line cuts business costs

It holds together sets of Moore's continuous forms — your staff turns out almost twice as many invoices, shipping notices, statements as before. Up to 95% of time wasted by old-fashioned forms and methods is saved.

A large national manufacturer, with branches 'round the world, has built its entire order-invoice system on Moore Continuous Marginal Punched Forms. One 9-part Fanfold Invoice — prepared at high speed on an IBM Electric

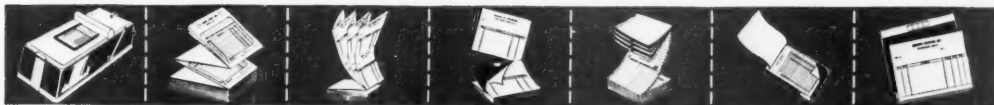
Accounting Machine — furnishes clear, complete information for billing, accounting, sales, customer and branch office records.

Other Moore machine-written and handwritten forms speed production, slash costs for businessmen everywhere.

Just call your local Moore office — in over 200 cities, nearly everywhere — and ask about the dotted line. Or write any Moore factory: Niagara Falls and Elmira, N. Y.; St. Paul, Minn.; Denton, Tex.; Los Angeles and Emeryville, Calif.; Salem, Ore. Sales offices and factories across Canada.

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A national company offering a complete range of modern business forms * * * THE RIGHT BUSINESS FORM FOR EVERY FORM OF BUSINESS!



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Fanfold Billing Machine Forms

Continuous Interleaved Typewriter Forms

Marginal Punched Business Machine Forms

Sales Books for Every Business Operation

Speedsets for Fast Carbon Extraction



How to make shoppers
FEEL IMPULSIVE!

PACKAGE WITH LUMARITH* TRANSPARENT FILM

Give your product "sight appeal" for impulse buying. For merchandise that is attractive . . . unique . . . or useful will sell *itself* if it can be seen.

With Lumarith transparent film there are many ways of getting display ease visibility that even dime store items can afford. Ask your box maker about Lumarith full transparent, combination or window boxes. Celanese Corporation of America, Plastics Division, Dept. 29-L, 180 Madison Avenue, New York 16, N. Y.

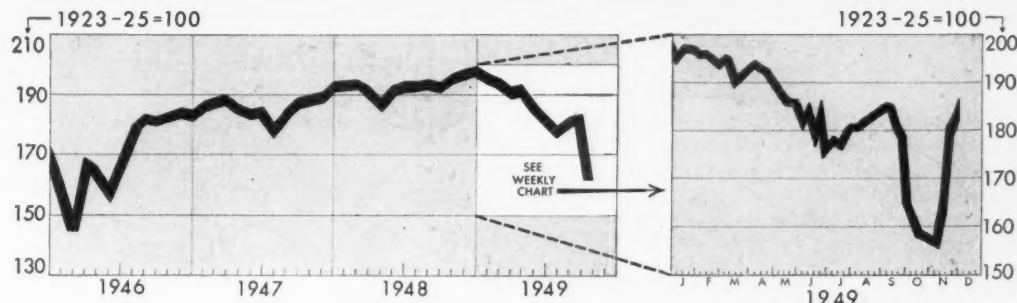
In Canada, Canadian Cellulose Products Co., Ltd., Montreal.

Folding boxes with display tops of Lumarith transparent film, for packaging Lumarith plastic toys. Made for the Conway Co., Skokie, Illinois, by the Package Paper Co., Indianapolis 6, Ind.

Celanese
PLASTICS

*Reg. U. S. Pat. Off.

FIGURES OF THE WEEK



Business Week Index (above)

PRODUCTION

	\$ Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
Steel ingot operations (% of capacity).....	91.7	87.7	21.0	100.0	97.3
Production of automobiles and trucks.....	71,921	176,026	116,699	125,170	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$36,390	\$29,043	\$23,418	\$28,264	\$19,433
Electric power output (million kilowatt-hours).....	5,743	5,537	5,435	5,646	3,130
Crude oil and condensate (daily average, 1,000 bbls.).....	5,106	5,192	5,136	5,665	3,842
Bituminous coal (daily average, 1,000 tons).....	2,387	12,358	462	2,098	1,685

TRADE

Miscellaneous and L.C.I. carloadings (daily average, 1,000 cars).....	68	69	68	83	86
All other carloadings (daily average, 1,000 cars).....	55	57	30	59	52
Money in circulation (millions).....	\$27,542	\$27,508	\$27,382	\$28,322	\$9,613
Department store sales (change from same week of preceding year).....	-5%	-8%	-7%	-5%	+17%
Business failures (Dun & Bradstreet, number).....	221	148	196	126	228

PRICES (Average for the week)

Cost of living (U. S. Bureau of Labor Statistics, 1935-1939 = 100), Oct.	168.5	169.6	173.6	105.2	
Spot commodity index (Moody's, Dec. 31, 1931 = 100).....	345.6	347.2	343.9	399.6	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)....	227.6	228.4	227.9	279.8	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)....	297.7	294.9	292.3	319.9	146.6
Finished steel composite (Iron Age, lb.).....	3.705e	3.705e	3.705e	3.720e	2.396e
Scrap steel composite (Iron Age, ton).....	\$27.92	\$28.92	\$28.92	\$43.00	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	18.500e	18.500e	18.500e	23.500e	12.022e
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$2.25	\$2.23	\$2.18	\$2.33	\$0.99
Sugar (raw, delivered New York, lb.).....	5.72e	5.84e	5.99e	5.72e	3.88e
Cotton (middling, ten designated markets, lb.).....	30.08e	29.80e	29.90e	32.20e	13.94e
Wool tops (New York, lb.).....	\$1.747	\$1.719	\$1.739	\$1.752	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	17.16e	16.93e	16.58e	18.40e	22.16e

FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	129.8	127.6	128.7	120.5	78.0
Medium grade corporate bond yield (Baa issues, Moody's).....	3.34%	3.35%	3.36%	3.55%	4.33%
High grade corporate bond yield (Aaa issues, Moody's).....	2.60%	2.59%	2.61%	2.81%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	14-12%	14-11%	14-11%	14-11%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	1 1/2%	1 1/2%	1 1/2%	1 1/2%	1-1 1/2%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	47,644	47,274	46,848	47,341	1127,777
Total loans and investments, reporting member banks.....	66,844	66,723	66,666	62,330	1132,309
Commercial and agricultural loans, reporting member banks.....	13,775	13,772	13,694	15,527	116,963
Securities loans, reporting member banks.....	2,249	1,998	2,214	1,647	11,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks....	37,257	37,430	37,388	33,075	1115,999
Other securities held, reporting member banks.....	4,977	4,964	4,953	4,163	114,303
Excess reserves, all member banks.....	700	660	1,160	783	5,290
Total federal reserve credit outstanding.....	18,267	18,091	18,416	23,783	2,265

*Preliminary, week ended Dec. 5.

†Revised.
††Estimate (BW—Jul. 12 '47, p.16)

‡Date for "Latest Week" on each series on request.



"SSssh! Philadelphia's eating dinner!"

Maybe the cabbie's stretching it a bit—but there *is* something real about Philadelphia's "dinner hour quietude." Out-of-towners often notice the silence that settles over the city after the home-bound rush is over.

Taking its home life seriously is an old habit of Philadelphia—a city with many special characteristics and ways of its own of doing things. If you're in business here, or plan to be, it's a good idea to understand how they do things and like to see them done in America's third largest market.

We at The Pennsylvania Company can help you to this understanding. Our 19 offices—more than any other local bank—keep us close to the pulse of things in this city of neighborhood homes. Thousands of businesses big and little—including two out of three of the nation's largest corporations—depend on us for complete banking service.

You'll like dealing with Pennsylvania Company officers. They're keen, market-minded men, anxious to take a personal interest in your business

and help you get established in the Philadelphia business "family." Out-of-town collections are speeded because we are constant users of air mail. Our Transit Department operates on a full 24-hour-a-day basis. And you'll place great store on our files of credit information built up over the years.

We'll be glad to hear from you. Or, better yet, why not ask a representative to drop in and have us go over the ways we can offer service that's really useful and, in fact, unique?

19 OFFICES

PHILADELPHIA

MEMBER FEDERAL RESERVE SYSTEM

FEDERAL DEPOSIT INSURANCE CORPORATION

THE PENNSYLVANIA COMPANY

for Banking and Trusts

FOUNDED 1812

WASHINGTON OUTLOOK



GOVERNMENT RISK CAPITAL is a financing venture you can expect to come out of Sen. O'Mahoney's investment inquiry.

As a spokesman for the under-industrialized West, O'Mahoney is especially concerned because his section isn't getting the venture capital it needs.

Of course, the problem O'Mahoney's joint economic subcommittee is examining involves the rest of the country, too.

The committee is talking to witnesses like Metropolitan Life's Leroy Lincoln, G.E.'s Phil Reed, Merrill Lynch's Winthrop Smith, and Dr. Allen B. DuMont, the television pioneer. It is asking them:

What can be done to get capital—equity capital—flowing again?

The committee's analysis: Motivated by a desire for security, people are putting the bulk of their savings into life insurance and government bonds, rather than into new or expanding businesses. Too much money is going into loans instead of into ownership.

And whatever capital goes into investment goes to the big fellow, not the small.

Here are some of the remedies the subcommittee is kicking around:

Tax revision. Even O'Mahoney is wondering whether the time hasn't come to do something about the double taxation of corporation income, and the capital-gains tax.

Capital pools. Various plans have been worked up to have local groups lend their credit or money to new industrial ventures.

Federal reserve loans. Regional banks would share with local banks in direct loans to small businessmen; purpose would be to set up relationship between banker and borrower that could continue independent of the Federal Reserve.

Expanded RFC loans. With a change in the law, RFC could go into out-and-out venture enterprises—make loans without the gilt-edged collateral it now demands.

O'Mahoney leans toward this last idea.

UNION-SHOP ELECTIONS are going to stay in Taft-Hartley until 1951 at least—even though both Truman and Taft dislike them.

Reason: Democratic strategy is to get T-H

repealed in toto. To remove bothersome provisions like the union-shop elections—or even the hiring-hall ban—risks taking steam out of the repeal fight.

Meanwhile, the labor board has scheduled an open forum hearing Dec. 19 on the mess that exists in the construction industry as a result of not holding elections. Failure to validate the union shop in the building trades has resulted in all sorts of individual complaints of unfair practices against both contractors and unions.

IT WILL BE WEEKS—perhaps months—before you can tell what will come of Commerce Secretary Sawyer's jaw-bone campaign on monopoly.

The campaign itself indicates a definite change of mind by Sawyer. Six months ago he wasn't interested in seeing his department take a hand in monopoly policy—so uninterested that he declined to testify before Rep. Celler's monopoly committee.

Sawyer's trip around the country, however, convinced him that businessmen want a spokesman in government to tell them how to live within the law.

So Sawyer asked Truman to let him set up the interagency committee to spell out what the government really is after, to emphasize voluntary compliance rather than prosecution.

The White House bought the idea; at least it's good politics with small businessmen.

One of the ideas proposed for Sawyer's committee is the setting up of some kind of fair-trade codes.

It's giving the trustbusters chills. To them, that smacks of letting industry combine to write its own ticket—a la NRA.

THE DRAFT WILL DIE when the present law runs out next year. And universal military training will not be adopted. Truman will renew his request for both, but the Pentagon isn't really interested. And Congress is actively against.

STEEL PRODUCERS will probably go back to delivered pricing on their own—without waiting for the Federal Trade Commission to act on their offer to settle the basing-point price squabble by agreement.

The steel companies will put into effect the

WASHINGTON OUTLOOK (Continued)

terms of an agreement they offered FTC as a way to settle the price-fixing charges against them (BW-Nov.12'49,p19). That means they:

- Will offer an f.o.b.-mill price along with delivered prices.
- Won't use identical freight books to figure delivered prices.
- Won't get together in advance on base prices or on charges for extras.

•
FTC's staff is split over whether it should O.K. a consent decree with these provisions.

Lawyer Paulson, who is prosecuting the steel case, recommends acceptance; lawyer Whitely, Paulson's boss, is against.

Whitely's argument: The law forbids FTC to issue an order except on the basis of findings of fact. The steel companies are offering to sign the consent order but specifically refuse to admit the validity of the "facts" in FTC's complaint.

Result of the dispute: The present four-man commission is awaiting Truman's nomination of a fifth member before making a decision.

•
RATIFICATION of the International Trade Organization charter is the State Dept.'s No. 1 foreign-policy objective in Congress next year.

The charter is being billed as the formal statement of long-range U. S. trade policy.

Acheson's Capitol Hill lobbyists have two timely selling points:

- ITO will further ECA's crusade for a freer market in western Europe. The charter outlines in detail the steps to be taken in forming customs unions.
- ITO will help ease the farm-surplus problem. Consumer-producer marketing schemes like the International Wheat Agreement can be set up at once for such crops as sugar and cotton.

•
COMPULSORY FILING of pension statistics is being mulled over by government experts.

Idea is that, with pensions becoming so widespread, there ought to be a place where management and labor can get guidance in setting up systems.

The government already has some powers—under the tax laws—to compel disclosures. But the information is fragmentary.

It would take a new law to get answers to

such questions as: (1) How many employees are covered? (2) How many are getting payments, and how much? (3) How big are reserves, and how fast are they growing?

•
Eventually, when the figures begin to add up, the government might seek authority to set up minimum pension standards: uniform bookkeeping; actuarial requirements sound enough to prevent the kind of drain that forced the United Mine Workers to suspend payments.

•
ECA POLICY CHIEF Richard Bissell is off to Europe to crack the whip on economic integration. He is following up Paul Hoffman's call-to-action trip (BW-Oct.29'49,p15). Another mission: probing into cartel talk.

Bissell will have an easy answer to Marshall Plan governments that want to let cartel interests loose again: No more aid if we see a cartel in the making.

Bilateral treaties between the U. S. and ECA nations expressly prohibit formation of cartels. And Hoffman takes this injunction literally.

On economic unification, Bissell has a special lecture for the French: It's time to stop talking and start laying plans to accept Germany as a trading partner.

France's rickety government, however, probably will remain balky. France wants an intra-European trade organization set up first. Then, when the organization votes Germany in, the French Cabinet can shrug off responsibility for the unpopular step at home.

•
THE RACIAL-COVENANTS BAN that FHA put through this week (page 73) is a political compromise that pleases nobody.

Developers don't like being restricted to the uncertainty of oral "gentlemen's agreements." Even though the Supreme Court has said it will not enforce race-exclusion covenants, written restrictions carry suasion.

Minority groups don't like the fact that FHA didn't bar oral agreements, too. The National Assn. for the Advancement of Colored People, for example, already is campaigning for a requirement that borrowers pledge complete nondiscrimination in sales.

•
EX-CHAIRMAN NOURSE of the Council of Economic Advisers has a new job: consultant to the fortnightly magazine, "The Reporter."

You Can Save

TIME...MONEY...TROUBLE

with

CAST NICKEL ALLOY STEELS

A fundamental difference exists between alloy steel castings and those of plain carbon steel...

The *unmatched combination* of properties available in nickel alloy steels, cast to shape, assures superior performance greater dependability and lower ultimate cost.

MEET EXACTING REQUIREMENTS

Engineering requirements often call for castings with properties that are attainable only by heat treatment. Since castings are generally complex shapes and frequently vary in section thickness, simple normalizing treatments are often practiced. When quenching and tempering are necessary, substantial economies can result from using steels that adequately resist the tendency to warp and crack.

RESPONSE TO HEAT TREATMENT

Cast nickel alloy steels provide basic advantages for fabricator and user, alike. Well beyond the reach of carbon steels are the combinations of strength or hardness and toughness which can be obtained in nickel steel castings by simple normalizing. Their response to mild quenching avoids distortion and cracking, thus permitting the attainment of high strength with adequate ductility in large, cumbersome sections. This simply can't be done with carbon steels.

CONTROLLED IMPROVEMENT

Nickel additions permit controlled improvement of desired properties in steel. Such control has resulted

in use of cast nickel steels in main frames for steam locomotives since the early part of this century. High toughness... and strength along with ductility... are primary requisites in railroad service. Significantly, railroads now are the largest tonnage users of nickel alloy steel castings.

ADVANTAGES OFFERED

Extensive use in oil production, hydroelectric plants, steel rolling and forging, mining, milling, smelting and other heavy industries indicates growing recognition of the following advantages offered by alloy over plain carbon steel castings:

- Stronger . . . higher yield strength
- Less bulk and deadweight
- Harder . . . more wear resistant
- Better response to heat treatment
- Greater shock-resistance
- Greater fatigue strength
- Less embrittlement at sub-zero temperatures

INFORMATION AVAILABLE

May we send you a copy of "Nickel Alloy Steel Castings in Industry". This edition, containing information for users, fabricators, engineers, designers and others, is yours for the asking. Write for it today.



THE INTERNATIONAL NICKEL COMPANY, INC. 67 WALL STREET
NEW YORK 5, N. Y.



*You can be sure a machine
won't get **SORE** at anybody!*

THE DOC is a dilly... So happy I could come in when I'd been chasing him for months! Listened as if I was his favorite musical instrument!

Dr. Whendryl isn't a sawbones, but a Ph.D. in psychology—taught the stuff up at State U before he started publishing textbooks. Circularizes teachers—which is why I wanted to see him.

He knew something about metered mailing. I had a demonstration machine along... showed him how it prints the meter stamp, plus dated postmark and small ad directly on the envelope... and how the envelope is sealed, too... how it prints any amount of postage you want.

"Why, it's ingenious!" the Doc said.

HE was much taken with the idea of buying postage by having the postoffice set the meter... the protection postage has in the meter, compared to adhesive stamps... the automatic accounting. He agreed that mailing by meter is more efficient than sticking stamps... Then he threw me!

It seemed that Dr. Whendryl was a Mahatma Gandhi disciple... thought

maybe that American life was getting too mechanized... people would be better off, psychologically, if they would only use their hands more. And any big mailings were done outside, anyway.

WHO AM I to trade punches with a Ph.D. in psychology? So I picked up my meter to go from there. The Doc guessed he'd go out with me.

Out on the reception room table, there were two large wire baskets of outgoing mail. What caught my eye was that all the letters on top had airmail stamps... even the envelopes with local addresses!

I pointed out this little inconsistency to the Doc—and you should have seen the psychology prof switch to business man, very embarrassed!... He yelled for Paul, and asked what was the big idea.

Paul was the kid office boy, and as cool as a milkshake. "Airmails are the only stamps we have, Doctor," he says, "I've tried for three days to get a postage

requisition from your secretary."

The Doc yells for the secretary. She gives the boy a dirty look, but says sweetly "Paul must be mistaken. I've expected him to pick up the postage requisition."... The Doc leaves them glaring.

When we got downstairs, he starts to smile. "Couldn't happen if we had a meter, could it? And you can be sure a machine won't get mad at anybody. And probably improve our personnel relations! How soon can you send one over?"

A POSTAGE meter will improve any company's relations with the office workers who get out the mail!... But, most offices use the postage meter for its efficiency and convenience, whether you mail ten letters a day or ten thousand!

Like to know what metered mail could do for your office?... Call the nearest Pitney-Bowes office. Or write direct for "So You Have No Mailing Problems?"



PITNEY-BOWES Postage Meter

PITNEY-BOWES, Inc.,
1405 Pacific Street, Stamford, Conn.

Originators of the postage meter... largest makers of mailing machines... offices in 93 cities in U. S. and Canada.

NEW DESK MODEL!... The DM is a postage meter for everybody!... only a little larger than your phone—but it stamps and seals mail of all kinds and classes!... Write for descriptive folder... today!



Business Worries for 1950: Fading

For the first time in years, survey finds businessmen with few engrossing troubles. Competition is worst problem.

"In the past, most businessmen I have tapped have been pretty talkative about their problems once they got started. Now I have to pry more. Even the usual surfire come-ons of 'labor' and 'government' get noncommittal or negative answers. Maybe my boys aren't the worrying type."

• **Typical**—That's what BUSINESS WEEK's Cincinnati reporter had to say about his area this week. He had been told: Find out what Cincinnati businessmen have on their minds these days; what they are worrying about. Other BW reporters across the country had received the same assignment. And from city after city came the same story: Business worries are at a postwar low.

All this doesn't mean, of course, that the business community is suddenly ulcer-free. There are still a lot of headaches. But they are less violent than usual. Whereas a few months ago businessmen emphatically named costs and breakeven points as the No. 1 villain (BW—May 28 '49, p19), they now find no evil that stands out above all others.

• **Competition**: No. 1—About as close to being the No. 1 problem as anything is the growth of competition, coupled with a lack of good sales personnel.

Many sales executives point out that population, income, and perhaps buying habits, have shifted. Changes in the freight-rate structure competitively affect costs and markets. New products and materials keep crowding into the picture. And the consumer—despite all his cash—shows less willingness to part with a dollar.

Moreover, many an executive feels that one fine day his marginal competitors will upset the applecart. A West Coast machinery distributor puts it this way: "Along comes a little fellow with some machinery, and creditors on his tail. He unloads at cut prices that hurt the established boys. . . . Or take something like advertised lathes. We have a recognized price on them. But some small dealer will pick up the same item from distressed stocks in the Midwest and make a sale that nets him only \$100 on a \$3,000 item."

• **Salesmen**: Also No. 1—To shoo such specters away, the businessman invokes

his sales department as savior. But this faith is often misplaced. "We haven't developed a salesman in 10 years," says one disappointed manufacturer. "You can't get 'em out of bars and cocktail lounges; they have lost all contact with purchasing agents."

Out in the Midwest, a BUSINESS WEEK reporter turned up the case of a top executive who finally broke under the weight of his salesmen. So he called together his force and issued this ultimatum: "For every production man I am forced to lay off, one salesman will be cut from the payroll, too."

Comments the reporter. "As a result of this rather Caesarian justice, 10% of the shop personnel has been laid off in the last couple of months, while more than 50% of the sales department has been fired and replaced by new, younger, more conscientious men. Today, surviving members of the old sales force are turning in more new business than did the entire old staff combined. Strong medicine, but it worked."

• **Breakeven Points**: No. 2—Breakeven points are today's No. 2 worry. High

costs and competition for the dollar keep this topic well to the fore.

• **Foreign**: No. 3—No. 3 is the foreign problem—the first time it has ranked that high on the list. It has four major phases:

(1) Foreign restrictions on U.S. goods.

(2) More competition from imports—especially since devaluation and the cut in duties.

(3) Loss of U.S. markets abroad to soft-currency producers.

(4) Truman policy and spending. Typical comments: "We have no clearly understood foreign policy—except that the Administration is happy to shovel out dollars to practically all callers."

In general, businessmen think that Washington has bungled foreign matters, economically and politically.

• **Truman**: No. 4—The Truman Administration, responsible in part for worry No. 3, catches the full blame for worry No. 4. This is a kind of uneasiness—the feeling that Washington will do the businessman dirt whenever it can. Here are some expressions of it:

"Truman is overspending. Our government has to get its house in order, or we're in for a hell of a time."

"One of my chief worries is the continued attack on big business by the government agencies. Washington seems to use these attacks to help sell the people on the welfare state. We are moving too fast in that direction."

"Washington is manipulating the commodity markets."

"Our greatest problem is the rigid system of government controls on what we do, how we do it, what we're paid, what we can keep."

• **Others**—Problems No. 5, 6, 7, and 8 are just about a four-way tie. This quartet covers labor, scarcities, pensions, and taxes.

The reappearance of scarcities is something of a surprise. Steel (especially sheets) was sure to bob up. But the following, too, get one or more mentions: domestic sheepskins, denim, cement, nylon yarns, electronic components (mainly condensers and potentiometers), quality hides.

Pensions are a complete newcomer to the list. And this is the kind of worry they bring with them: "A sound plan must be established—not one that will

NO ASPIRIN NEEDED

What's behind the unprecedented ease of mind that BUSINESS WEEK found among U.S. businessmen this week? The end of the aspirin age seems to have appeared because:

• **Settlement** of the steel strike has brought a lull—no matter how temporary—in the labor sector.

• **Most executives** feel that 1950—or the first half, at any rate—will be a whopper.

• **Shortages** of materials are again showing up. (Scarcities always make the businessman feel that the economic kettle is sizzling.)

• **Consumers** still have a fat wad of cash.

• **Congress** didn't vote any new taxes this year.

blow up with violent repercussions in four or five years. There is no soundness in the plan for the steel industry at this point."

Labor and tax worries have a familiar ring. On labor it's: When will I have less troubles? On taxes: When will I have more?

• **Optimism**—But through it all, the businessman is radiating more optimism

than in a long time. The way he feels about things is typically summed up by a major Midwest industrialist: "Worries? What's on my mind right now can hardly be classed as such. Business is going to be pretty good for the next six months—in fact, we have that much good business right in sight. Generally speaking, I think 1950 will be a fine year."

Business Outlays for New Plant and Equipment

(In Millions of Dollars — 000,000 Omitted)

	Full Year		1948		1949				1950	
	1948	1949	4th Q	1st Q actual	2nd Q	3rd Q	4th Q intentions	1st Q intentions		
Manufacturing	\$8,340	\$7,130	\$2,320	\$1,850	\$1,880	\$1,690	\$1,710	\$1,520		
Mining	800	730	220	190	190	180	170	160		
Railroad	1,320	1,340	410	360	380	310	290	220		
Other										
transport	700	510	170	130	140	130	110	80		
Utilities	2,680	3,160	850	680	780	790	900	740		
Commercial & misc	5,390	5,040	1,440	1,260	1,290	1,260	1,250	1,110		
TOTAL	\$19,230	\$17,910	\$5,410	\$4,160	\$4,660	\$4,360	\$4,430	\$3,820		

Cause for Business Worry

Capital spending will continue to decline next year, based on present plans. 1949 is first year since prewar during which business spent less on new plant and equipment than it had expected to.

Businessmen aren't worrying much about next year—but this year's downward drift in spending for plant and equipment is something to keep an eye on. You can see the danger signs in the latest joint survey of the Securities & Exchange Commission and the Dept. of Commerce, out this week.

• **Declines**—Total outlays for 1949 are now expected to be \$17.9-billion. That's off about 7% from last year. For the last six months alone, spending will show an even bigger drop from the comparable 1948 period: 14%.

And it looks as if the first quarter of next year will be down, too. The survey—the first to inquire into 1950 plans—shows that next year will tee off with a 14% decline from this year's first three months.

• **Plans Revised Downward**—Perhaps the most pessimistic note of all: 1949 is the first year since the war began in which businessmen actually spent less for new plant and equipment than they had planned to at the start.

Back in the spring, business planned to invest \$18.3-billion during the year. Now capital spending seems likely to fall \$410-million short of that. In 1948, on the other hand, actual spending beat advance estimates by \$600-million.

• **Price Drop**—It's true that part of this year's drop is accounted for by declining costs—of labor as well as of materials. But this explains only a small part of the drop.

It's also true that businessmen can still change their minds about the outlook—and revise their plans for next year upward. But don't count on it. The figures for the current SEC-Commerce survey were gathered last month, at a time when management was already optimistic about future prospects. In fact, manufacturers, apparently heartened by the end of the inventory liquidation, have already revised their fourth-quarter capital budgets upward. Last July, they were figuring on spending \$1.6-billion during the October-December period. Now they plan to lay out \$1.7-billion.

One bright spot in the picture is the utilities industry. Outlays of gas and electric companies during the second half of 1949 will top those for the comparable 1948 period by 10%.

• **Down Across the Board**—The first quarter of 1950, however, will see a resumption of the downward trend. All types of business will cut back. Even the utilities will join the parade—slashing expenditures by \$160-million.

Auto Prices Up?

Auto makers' costs are going up. Cheaper automatic transmissions are no sign that car prices will follow suit.

General Motors' price cuts on automatic transmissions are focusing attention on car prices as a whole—but the word from Detroit is, "Don't expect to see reductions on new cars." Increases may even be in the works.

Pensions are at the bottom of the situation, in two ways: (1) They will raise basic labor costs in the auto industry; and (2) they will figure in the prices auto makers have to pay for steel and other components.

• **Undetermined**—It will take time to determine the actual effect of these cost changes on car prices. Few firms know now how much pensions will finally cost them. One steel maker, Sharon Steel, has already boosted prices for semi-finished products by 8%. Others are still undecided, but may follow suit. But one thing is sure already—auto makers' costs will go up.

For a while, it looked as though sales competition would drive prices down. But thus far sales have been going beautifully without price cuts. Only two manufacturers, Nash and Crosley, seem to have cut prices for competitive reasons.

• **Slight Cuts**—But some car buyers will find lower price tags on their purchases this week. When Pontiac brought out its 1950 line, it cut prices on all-steel station wagons \$250; it also knocked \$26.50 off the price of its Hydra-Matic automatic transmission.

Three other General Motors divisions made comparable transmission cuts. Oldsmobile matched the Pontiac price, while Cadillac pared \$25.75 from its price tag. At the same time, the Buick Dynaflo drive was cut from \$212 to \$169.20. Meanwhile, Nash and Lincoln, two other users of G.M.'s Hydra-Matic drive, cut their prices \$26.50 and \$25.75 respectively.

• **No Prophecy**—Prices on automatic transmissions have been about the same since they were introduced before the war. And production has been high. So this price move merely reflects amortization of equipment costs. It doesn't indicate any further general price cuts in the auto industry.

It is likely, however, that Pontiac's station-wagon reduction may bring about similar reductions by other manufacturers. Dealers around the country have been finding it increasingly difficult to sell their quotas of these special-body types, even though sales of regular passenger models have held up well.



John L. Lewis in Retreat

But it's a strategic retreat. He sees lean times ahead for the coal industry, will sacrifice hard-won gains, one after another, to keep his union together.

No matter what you think of John L. Lewis, remember this: Few can equal the United Mine Workers' chief in his grasp of the problems of the coal industry.

• **Results Prove It**—Keep that in mind when you try to understand the twists and turns of Lewis' bargaining strategy. It's the best explanation of many of the mine union leader's seemingly vacillating tactics.

• **Unorthodox Pays**—Take this year. Coal bargaining shows a crazyquilt pattern of off-again, on-again strikes, of union-dictated short work weeks.

This week, the unorthodox Lewis strategy began making sense. He had kept a pinch-hold on coal output, avoided presidential intervention in his dispute over a contract, forced an uneconomic work week on operators, and got first results—a group of minor contracts, on union terms, from independent Kentucky coal-mine operators.

Whatever Lewis does fits neatly, somewhere, in a pattern of strategy. The problem is: Where?

• **Lean Decade**—Most top labor leaders—including Philip Murray in steel and Walter Reuther in automaking—use a hardhitting but simple strategy in bargaining. They do business in stabilized, healthy industries. When they negotiate, it's usually on short-term, bread-and-butter objectives.

It's different with Lewis. He has his sights set far into the future. While he talks about more money, shorter hours, and pensions for miners, he has some-

thing that's even more important to him in the back of his mind—the maintenance of a strong, tight coal union in a potentially lean decade ahead.

• **The Charts Show It**—There's a sound statistical reason for his concern over the future. Lewis' aides in the union's I St. headquarters in Washington keep careful charts on coal prospects.

They show in sharp profile that the coal industry is sick today and is likely to be even sicker for the next decade or more—until declining oil supplies make coal vital again.

Last year, soft-coal output was off 37-million tons from 1947, yet the nation's coal bins were overflowing. More and more fuel users are switching to oil and gas.

• **How Long?**—But coal has one tremendous, final advantage over other sources of energy: abundance.

There's enough coal underground in the U.S. to last thousands of years. Even the most conservative estimates say coal will last for centuries.

The long-term outlook for coal's biggest rival, oil, is pretty dark: It looks as if production would have to be cut back within a decade or two.

If the oil wells begin to dry up, King Coal will snap back into top prominence—and demand—as a fuel.

• **Lewis' Planning**—Lewis' entire union strategy at this time is aimed at the day when coal demand turns up again. Until then, Lewis knows, the easy days are past for U.M.W. Declining coal consumption means less production, fewer

miners, more management resistance to the union.

It means, in short, a decade of tough labor-management relations—with the union on the defensive.

So Lewis' strategy now is an aggressive rearguard action. He'll make strategic retreats where he has to in order to hold U.M.W. intact and potent while retaining as many hardwon benefits as possible.

• **Signs**—So far this year, Lewis has sacrificed:

• The miners' traditional policy of "no contract, no work"; the last contract ran out on July 1.

• The union's past policy of bargaining only with large employer associations. Today, Lewis will "bargain" with anyone willing to sign up on union terms.

More retreats may be in the cards. There are recurring reports in the coal fields that Lewis will barter away unilateral control of U.M.W.'s big welfare fund in return for a higher tonnage royalty on coal. And you hear, too, that eventually the miners may sacrifice the "willing and able" contract clause that lets them strike at any time. The price? Whatever contract provision Lewis then deems necessary to keep a tight and satisfied union.

But take a tip from coal management: Don't interpret such strategic retreats as a sign that Lewis is collapsing. Withdrawals from fixed positions are never really important as long as the fighting force is kept intact.

• **The Short-Term Approach**—Meanwhile, Lewis' short-term bargaining—on what the next coal contract will provide—this week drove a pinhole in the solid dike of employer opposition. A group of Kentucky soft-coal operators signed Lewis-dictated contracts. They agreed:

• To raise miners' basic daily pay from \$14.05 to an even \$15.

• To boost the tonnage royalty from 20¢ to 35¢.

• To approve a new board of welfare-fund trustees stacked in favor of Lewis.

This is a clean-cut victory for Lewis. It's his price for letting operators keep mines open five or six days a week.

The new contracts aren't really important—yet. The operators' mines produce, altogether, less than half of 1% of the industry's production.

But there is this inherent importance in the settlement: The Kentucky break is bound to influence other small independents who'd like to cash in, quick, on benefits to be had from five-day operations. Each time another independent signs up, the original pinhole in the coal-employer front will be reamed a little larger. The first inconsequential trickle of contract-mined coal will grow to a stream. When it does, the big operators admit grimly, they'll lose their present bargaining advantage over Lewis.

THE HOOVER COMMISSION—

set up last year to study the operation of the U. S. government—ran a fine-tooth comb through the maze of federal bureaus, agencies, departments and commissions. Early this year it came up with 19 reports to Congress recommending specific reforms. Since then about 20% of the Hoover recommendations have been put into law. The scorecard below shows the major reforms accomplished this year, and some of the big ones that got away.

	ACTION THIS YEAR	NO ACTION
CABINET DEPARTMENTS The Hoover Commission found lines of command hopelessly confused, dozens of bureaus misplaced or overlapped.	DEFENSE got a thorough going over in the Tydings Act, passed in August. Enormous savings were promised. STATE got stronger top staff, some streamlining of dept. itself. COMMERCE AND LABOR each gathered in some wandering bureaus. POST OFFICE got a stronger top staff but no major overhaul.	AGRICULTURE, JUSTICE, INTERIOR and TREASURY were left strictly alone.
BUREAUS AND AGENCIES Hoover recommended a broad-scale shifting, consolidation, and killing off of existing bureaus.	New Reorganization Act gives the President power to shift or abolish some agencies, create others, with Congress' O.K. Under this law the President offered seven reorganization plans. Six were approved, one big one turned down.	Main bureau shakeups got nowhere. Big lending agencies remain outside Treasury; Army engineers and Interior Dept. continue to compete for flood control projects.
PAYROLL Big government headache is personnel: how to attract and hold good workers, how to hire and fire efficiently.	Military pay was raised this year, also top executive salaries. But . . .	Congress pigeonholed bills which would reform Civil Service, set up a decentralized personnel system.
HOUSEKEEPING The government is the world's largest consumer of office supplies, owns more than a million motor vehicles. Purchasing is haphazard, housekeeping wasteful.	In June, Congress passed a new General Services law which centralizes purchasing, also records-storage, building-management, surplus-property disposal.	
BOOKKEEPING The Hoover Commission found government budget practice archaic, government accounting a crazy-quilt of inconsistent systems.		The Hoover recommendations: a uniform accounting system under a new Accountant General; modern performance budgets for each department and agency. Congressional action: none.

© BUSINESS WEEK

The Hoover Report: What's Happened?

Waste is like sin. Everybody's against it. That's probably why leaders in both political parties—and most prominent Americans—have come out in favor of the Hoover Commission's fairly drastic recommendations for reorganizing the government, made earlier this year (BW—Feb. 12 '49, p. 25).

The whole shooting match wasn't put into law at once, of course, and that didn't surprise anybody. What did surprise people was how much of

the Hoover report Congress did buy—and enact (table, above). The 81st Congress went home in October with about 20% of the Hoover recommendations in force, or authorized.

Next week Mr. Hoover, at a National Reorganization Conference in Washington, will praise the progress so far, and plump for more of the same. Secretary Louis Johnson, also on the program, will get a citation for his free-swinging cuts in defense spending.

But the real reason for the conference is not to praise cost-cutters like Johnson. It is to light a fire under Congress, due back after the holidays.

When Congress opens for business it will already have in its hopper bills which would complete practically all of the Hoover Commission's recommended reorganization.

Some of these bills do not have an outside chance of passing. But others, if enough public pressure is applied,

might just squeak through. A few bills will have strong support and should pass without much trouble.

• **Post Office Reform**—A bill revising postal rates should pass, but not as beefy a one as the President asked for in his budget message last January. He sought \$250-million in new revenue; the House post office committee has approved a bill that would bring in about \$132-million.

There is little chance that the Post Office itself will get the shakeup asked by the Hoover Commission. Hoover wants a decentralized Post Office—split into regions, with autonomous bosses. That hardly has a chance; Washington won't give up its power.

• **Bookkeeping Reform**—Budget Director Frank Pace is now writing a performance budget for 1950-1951. Pace says the job is so tough he won't know whether he can do a good job or not until after he's done. But he is trying to hew to the Hoover Commission idea—a budget that breaks down expenditures according to the jobs to be done, instead of according to whether the money is spent for salaries, construction, or the like.

As for a new government accounting office under a new Accountant General, no action is likely.

• **Army vs. Interior**—You can expect a sharp fight over merger of the Interior Dept.'s dam-building Bureau of Reclamation and the Army's dam-building Corps of Engineers.

The Administration is working out a scheme to put power, irrigation, flood control, and soil conservation under some sort of centralized control. It will probably submit a reorganization plan in February or March.

Then will come the fight. Most congressmen from the Mississippi and Ohio valleys favor the engineers, which means they are against merger. Most congressmen from the West favor the Bureau of Reclamation. The westerners naturally favor merger, because it would put Reclamation on top.

The Hoover report made merger one of its strongest recommendations.

• **Civil-Service Reform**—The Administration is working on a plan to let individual agencies do some of their own hiring and firing, but opposition, is heavy in Civil Service and in Congress.

• **Transportation Shuffle**—Truman will submit a transportation reorganization plan sometime in January. But he may sidestep the main issue—separation of the regulatory and administrative functions in the various transportation agencies.

The opposition to more government reorganization next year will be strong, and it won't come just from bureaucrats. Congressmen themselves will block many of the reforms: They don't

like patronage cuts, or reduced federal spending in their districts. Some of the toughest opposition will come from local groups who resent, for example, any meddling with the often agreeable Corps of Engineers.

Sugar Producers, Users Fight Over 1950 Quotas

The price battle between the producers and the users of sugar goes on all year round. But last week both groups got a chance to sound off in formal hearings. For this is the time of year when the Secretary of Agriculture sets next year's sugar quota.

• **The Law**—The Sugar Act of 1948 protects the U. S. sugar-beet and sugar-cane industries by setting a quota on imports. The Secretary of Agriculture estimates each year what the next year's demand will be. The act sets fixed quotas for U. S., territorial, and Philippine producers. So the secretary sets Cuban and other foreign quotas to fill his estimate of demand.

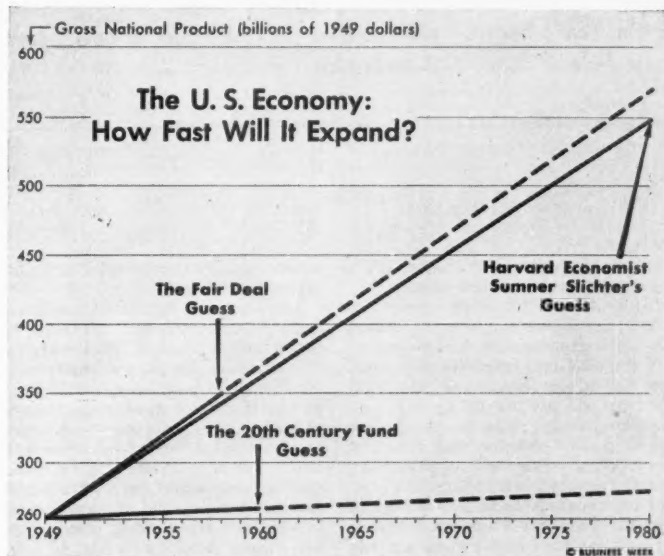
The act also instructs the Secretary to keep the consumers' interests in mind.

Through his power to set quotas, the Secretary controls the U. S. price of sugar—and, indirectly, influences world sugar prices. By raising his estimate of what U. S. consumers will use, he lets more sugar in; that lowers the price. By lowering his estimate, he keeps sugar out; that raises the price.

• **Divergent Views**—Last week, at the Agriculture Dept. hearings, domestic producers urged a 7.2-million ton quota for 1950. The industrial sugar users (chiefly soft-drink makers and confectioners) talked about a "hazardous" supply situation, asked for a quota of 8.1-million. Last year, the quota was first set at 7.1-million tons, later raised to 7.5-million.

Producers guess that the quota will be set between 7.3-million and 7.5-million tons. They figure Secretary Brannan will want to push the New York price of raw sugar up to about 6¢ a lb. (It's 5.8¢ a lb. now, and was lower earlier this year.)

Their reasoning goes like this: The rise in price will please politically potent western beet producers, whose marketing season began last month. Later on Brannan can raise the quota, and thus lower the price, to mollify off-shore producers and industrial consumers.



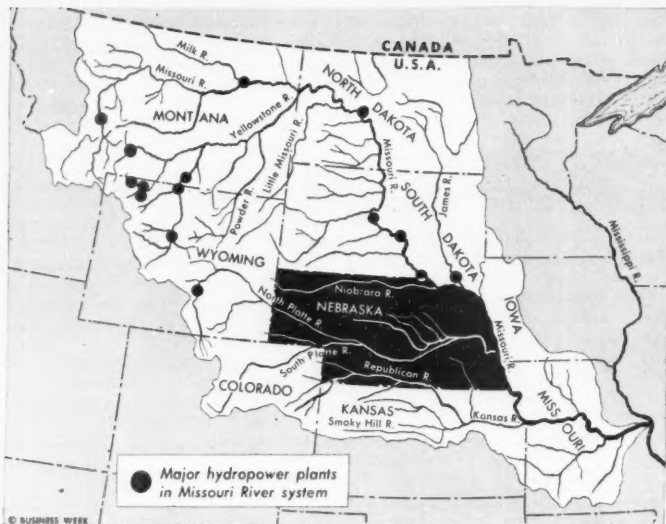
COUPLE OF YEARS ago the 20th Century Fund startled businessmen with a prediction that America, by 1960, could handle a national production of \$266-billion. (By 1948, the gross national product had passed \$262-billion.) Now comes two much more daring guesses:

Sumner Slichter, writing in "The Atlantic Monthly," assumes a population by 1980 of 175-million, normal 2% year growth in

productivity, a 30-hour week. He arrives at a G.N.P. of \$550-billion.

Truman's Fair Deal economist, Leon Keyserling, arrives at something very similar by assuming, over the next eight years, a rate of growth equal to that in past periods of rapid expansion.

This week, Secretary of Commerce Sawyer went them all one better—a trillion-dollar output by the year 2,000.



PUBLIC-POWER NEBRASKA may capture output of neighboring states' dams in . . .

Squeeze Play on the Missouri

Private-power states are fighting for their share of Upper Basin. That's because public outfits get first whack at power from new federal dams. And Nebraska is the only public-power state

How far will the Missouri Basin states have to go toward public power? A long way, it appears, if they want to cash in on the \$15-billion federal basin development.

The only one of the five upper basin states (North Dakota, South Dakota, Montana, Wyoming, and Nebraska) that isn't worrying is Nebraska. It's a 100% public-power state already.

• **More Power**—The huge project includes development of some 2.5-million kw. of hydropower—on federal money. Of the total bill, federal taxpayers will pay \$10-billion; farmers and other local interests will pay the rest.

More power is all to the good for the power-hungry states in the area. But more federal power spells rough sledding for the private-power interests.

• **Restrictions**—Nebraska sits plump in the middle of the whole development. It's the nation's first and so far only state-wide public-power province. And under the Reclamation Project Act of 1939, federal projects must supply public-power agencies first.

Last May, former Secretary of the Interior Krug laid down a general distribution rule for the project, along the lines set by the law. He said that public users within 150 miles of each dam shall get what they want first; preference users beyond that area will come second,

then nonpreference users. This practically shuts out the private concerns from the reliable power output of the federal dams. However, private companies will have a chance to buy intermittent federal power at high-water periods. This might add something close to 1-million kw. to the 2.5-million kw. of private capacity now installed or building in the basin.

Last week, the Missouri Basin Inter-Agency Committee met at Omaha to thrash out the problem. It's the agency that supervises the Missouri Basin project, though it has no more than advisory powers. It is made up of representatives of the federal agencies concerned in the project and the governors of the five states. But as a thrashing ground, the meeting was pretty much of a fizzle. Nebraska's Gov. Val Peterson challenged the validity of any power problem. "I have definite evidence," he said, "that applications [for power] are inflated from two to four times over actual needs."

Other states, and the Federal Power Commission, feel differently. Even by 1970, said FPC regional engineer B. H. Greene, of Chicago, project output—plus other power—won't satisfy the Basin's power thirst.

• **Lion's Share**—Now none of the new dams to be built is in Nebraska. They

are scheduled for the other four upper basin states (map).

As long as those other states stick by private power they will have to watch Nebraska, by virtue of its public-power status, pull the lion's share of the new power from their facilities.

This fact comes out strongly from a glance at state applications for the first 300,000 kw., to be available from Fort Randall Dam in South Dakota (1953) and Garrison in North Dakota (1954). Nebraska all by itself put in its bid for 367,000 kw. "Preference"—or public—users elsewhere asked for 270,000. Other applications brought up the total to 884,000 kw.

• **Changes**—The Dakotas have teamed up to ask for a revised distribution that would give the private companies a break. They want all customers within 150 miles of the dam sites served (preference customers first) before the power goes elsewhere. But the answer is sure to be no—unless the law can be changed.

Chances of changing the law just now are slim. Public power is a pet project of the Fair Deal.

• **Alternatives**—The alternative seems to be more public power for the private-power states. Last winter, South Dakota started a move in this direction. But an enabling act to set up public-power districts lost out by one vote in the state legislature.

But there are other ways of getting preference customers. As federal power becomes available, municipalities can be expected to vote municipal systems, buy out private utilities, and qualify.

Another major bloc of preference customers in the Dakotas and Montana will come from new cooperatives financed by Rural Electrification Administration. REA will soon approve a multimillion-dollar loan to a North Dakota co-op for a new farm electric system that will connect with Garrison.

SAN DIEGO PLANS FAIR

Plans are under way for another world's fair in San Diego. The city has retained Clyde Vandeburg, fair-planning expert, to survey all angles of the proposed exposition.

Local leaders figure that their city is better equipped for a fair than any other in the area because \$30-million worth of buildings still remain from two previous fairs. In addition, construction has begun on a \$20-million Mission Bay aquatic recreation development which could be used by the fair.

San Diego citizens would like to see the fair open sometime between 1953 and 1955. The two previous San Diego fairs, both financially successful, were held in 1915-16 and 1935-36.

Civic leaders anticipate greatly increased building around the city as well as a general boost to the town's business.



At John Bull's Bedside: "He has to live. He owes me so much."



"Remember, John, at Yalta I said: 'Here's to a speedy meeting in Berlin.'"



Two Worlds (Title of book—Peace and Democracy)

1940 "Krokodil" saw Uncle Sam as money lender during Hitler-Stalin peace pact. Party line turned during . . .

1945 War honeymoon. Americans and British were considered Russian brothers. But in . . .

1946 Cold war came, and "Krokodil" found everyone antidemocratic—except U.S.S.R., of course.



American Official Press Release: "Write this down, mister! In the course of this month the number of unemployed has dropped—let me see, 387 arrested, 62 wounded, 11 killed—that makes 460 fewer unemployed."



"We invented the incandescent lamp." "Yes, but the Americans invented the idea that Edison invented it."

TODAY Increasing intensity of hate campaign pictures American businessmen as callous war mongers, slave drivers. As part of patriotic drive . . .

Admiration for U. S. ingenuity is destroyed by rewriting history.

The U. S. Looks Curiouser and Curiouser

A pipe-smoking, pitchfork-wielding crocodile (with an unfortunate resemblance to Joseph Stalin) is busy telling Muscovites how antidemocratic the United States is. He is the symbol of "Krokodil," Russia's "New Yorker" magazine. These five cartoons are from a collection published this week ("Out of the Crocodile's Mouth," edited by William Nelson, \$2.50, Public Affairs Press, Washington, D. C.).

• **Pravda's Child**—"Krokodil" is one of the few intentionally humorous publications blessed by the Russian state. It is published by Pravda, the official Com-

munist Party newspaper. It was first published a year or two after the Bolshevik Revolution. It has followed the shifts of party thought ever since.

You need a special character to rate high on the magazine's space list. "Krokodil's" favorite target: inefficient factory managers given to producing clothing which falls apart after one wearing. Small notices in the magazine—headed "Krokodil Helped"—usually indicate the sudden end of a servant of the state's career.

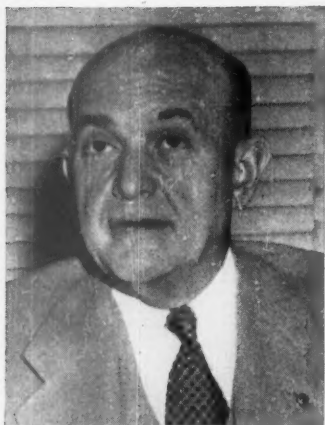
• **New Target**—But right now the United States is getting the space in

"Krokodil." Hitler had to cross the Russian border before he was granted as much. Reason, Mr. Nelson thinks: The Russian government is finding it hard to sell its "Hate the U.S." line. The people still remember American help during the war and still retain a healthy admiration of American technology.

Thus, two main lines of Krokodil's attacks have been:

(1) Picture the U.S. as a land of mad imperialists;

(2) Rewrite history to take credit for U.S. inventions.



DEFENSE SECRETARY Johnson called industry a rampart in war, while . . .



ECA BOSS Hoffman called it a rampart for freedom in a peaceful Europe. But . . .



INDUSTRIALIST McCaffrey wanted labor peace through reason, not force, and . . .



N.A.M. PRESIDENT Bennett warned against controls. Tone of meeting was . . .

N.A.M. and the Welfare State

Many speeches at 54th Congress of American Industry show worry over ultimate threat of government controls. British-type socialism seems closer threat than Russian communism.

Some 3,000 industrial executives from every part of the U. S. gathered in New York this week and worried about the future. This was American business' biggest annual meeting—the 54th annual Congress of American Industry, sponsored by the National Assn. of Manufacturers.

For three days the nation's business bigwigs trod the carpeted corridors of the Hotel Waldorf-Astoria. They listened to scores of speeches by big, little, and medium shots, took part in long

panel discussions and meetings. In between it all they indulged in the convention's privilege of doing the town.

• **The Welfare State**—In the main, the speeches set the mood of the meeting—a mood that was more grim than hopeful. The grinnings came not from the outlook for business conditions; everybody seemed agreed that they were good. Instead, there was a deep preoccupation with a fear of the "welfare state."

The most violent support for this

worry came from a British businessman—Cecil Palmer, English publisher and author. Under socialism, he said, Britain is "a nation of frustrated, regimented, and some of the most miserable people on earth."

• **Watch Out!**—Whatever it might be called, it was obvious that the N.A.M. was worried about government control. A warning came from Walter Chamblin, Jr., vice-president in charge of the N.A.M. Washington office: "If you . . . do not interest yourselves in matters of politics and legislation, then the vast properties which you own, and which vitally concern you, will be managed and directed by those who neither understand nor care about them."

The same thoughts were echoed by Dr. Adam S. Bennion, vice-president of Utah Power & Light Co.: "We are rapidly becoming economic slaves pulling an oar in the galley of state. . . . England reminds us that a great conflagration can spread suddenly."

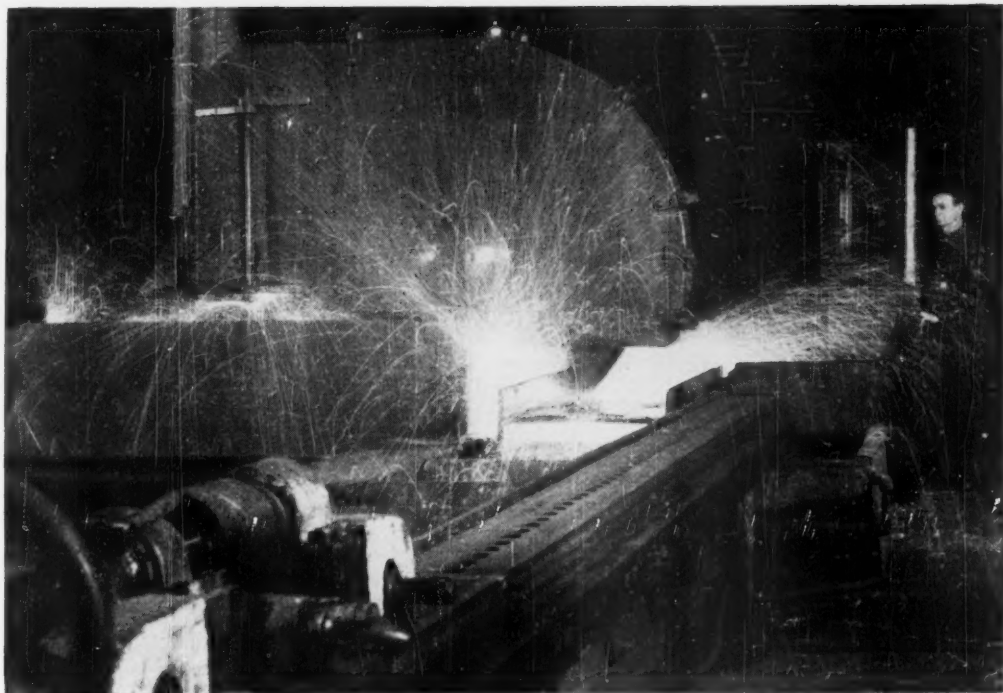
• **Solutions**—Many speakers concentrated on measures that industry might take to prevent the welfare state from becoming a fact in the U. S. Ralph W. Carney, vice-president of Coleman Co., Wichita, Kans., suggested that "this is our opportunity to prove to the people in our towns that the manufacturer is not the selfish, 'stodgy' reactionary of modern popular abuse." Part of this abuse was industry's fault, he said, because it has not always given as much recognition to human values as it should have.

Even the convention theme, "New Strength for America," implied freedom from the tyranny of the state. Outgoing N.A.M. President Wallace F. Bennett said: "Even in the face of events we cannot seem to comprehend the current threat to the freedom of our children in the America of the future."

• **Labor Relations**—Two other themes ran through the convention: (1) labor relations; and (2) foreign relations—economic and military. John L. McCaffrey, president of International Harvester Co., concentrated on labor peace. That peace, he said, is a relationship between human beings.

• **Foreign Affairs**—The convention's two headliner speeches concerned foreign affairs. Paul G. Hoffman, Economic Cooperation Administrator, warned: "The U. S. must win the cold war in Europe or become a 'garrison state' on a war footing, with the return of controls, allocations, rationing, and a lot of other restrictions on business."

• **Defense**—The military angle—in case the cold war turns hot—came from Louis A. Johnson, Secretary of Defense. None of our ramparts, he said, "has proved more vital to our success in peace or in war than has the great industrial power of America."



Cuts Beams Like Butter . . .

To Give You Quick, Accurate Steel Service

Biting through a 24 inch beam at a Ryerson plant, this big friction saw completes the cut in 11.6 seconds—literally cuts cold steel like hot butter. The speed of the cut results in the very minimum of burr and a new method of maintaining blade alignment assures a straight, true edge.

This new saw is typical of the equipment that's ready to work for you at your nearby Ryerson plant. Another—a new metal saw with a big 18 x 18 inch capacity. Using high speed hack saw blades, it cuts bar steel to close-tolerances, and every cut, square or angular, has an unusually accurate surface.

Then there's the flame-cutting machine, with an electric eye to follow your sketch or blue-print,

which cuts irregular shapes with amazing accuracy—to within fifteen thousandths of an inch! These machines, and many others, work for you as your own when you call us for steel from stock.

No other steel service organization in America is better equipped. Few can serve steel buyers nearly as well. For steel cut *exactly* the way you want it, get in touch with our nearest plant.

PRINCIPAL PRODUCTS

BARS—Carbon & alloy, hot rolled & cold finished

STRUCTURALS—Channels, angles, beams, etc.

TUBING—Seamless & welded mechanical & boiler tubes

STAINLESS—Allegheeny metal plates, sheets, bars, etc.

PLATES—Sheared & U. M., Inland 4-Way Floor Plate

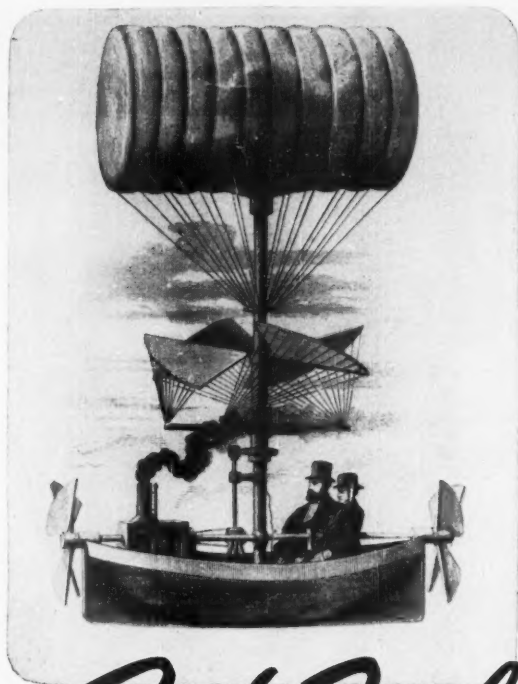
SH. ITS—Hot & cold rolled, many types & coatings

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CLEVELAND • PITTSBURGH • BUFFALO • CHICAGO • MILWAUKEE • ST. LOUIS • LOS ANGELES • SAN FRANCISCO



NEITHER *Fish* NOR *Fowl...*

This novel invention by one Henry Badgley of Virginia was intended for "aerial navigation." The "motor" was supposed to turn propeller wheels at opposite ends of the boat to move it either forward or backward, and also turn a horizontal propeller wheel to help the balloon raise the boat.

The Bettman Archive

While Henry Badgley's conception of an aerial machine never reached the stage of mass production, his contribution to the development of power transmission machinery deserves passing tribute.

On the other hand, *practical* solutions to problems of power transmission have been the main concern of the Twin Disc Clutch Company over the past 31 years. In the construction, lumber, petroleum, farm equipment, marine and machine tool fields—wherever power must be applied—Twin Disc has engineered an answer to every problem.

TWIN DISC CLUTCH COMPANY, Racine, Wisconsin
(Hydraulic Division, Rockford, Illinois).



Power Take-off



Machine Tool Clutch



Marine Gear



SPECIALISTS IN INDUSTRIAL CLUTCHES SINCE 1918

BUSINESS BRIEFS

Prices of rayon viscose yarn have been hiked 4% by American Enka and Industrial Rayon, matching du Pont's surprise increase last week. But American Viscose, the industry's biggest producer, says it won't make any change for at least a month.

Stalemate on record speeds seems likely for a while longer. RCA has finally decided to install a 33 $\frac{1}{3}$ -r.p.m. turntable on its radio-phonographs. But the company will continue to equip machines with a separate turntable for its own 45-r.p.m. platters.

Goodrich and Goodyear finished off the second round of price boosts on tires and tubes (BW-Dec. 3'49,p28) with 3 $\frac{1}{2}$ % increases.

Drive for more cigar sales has been started by P. Lorillard Co. (Muriel, Headline Majors, Van Bibber). The company has set up a special cigar division, plans to spend over \$300,000 a year for promotion and advertising.

Lowest export balance in almost a year showed up in October. Goods shipped overseas topped imports by only about \$290-million. It was the third straight month that imports climbed.

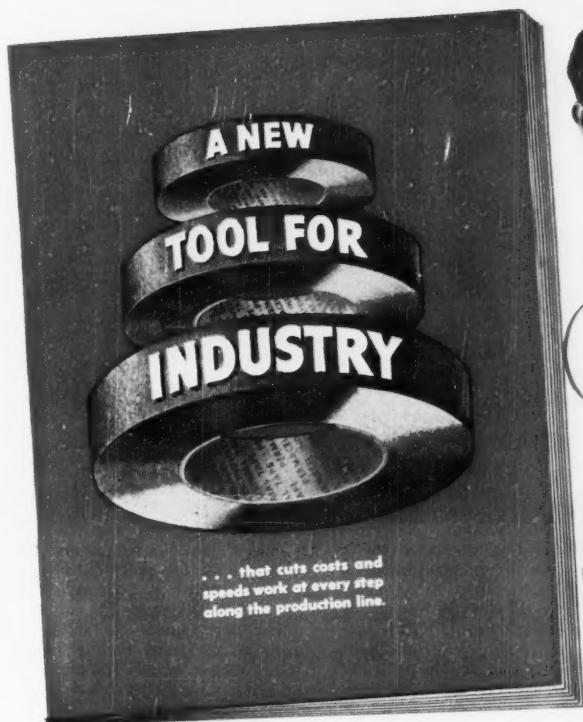
Antitrust developments: Justice Dept. has filed a civil suit against Celanese Corp. of America charging it with monopolizing the rayon warp-knit industry. The Supreme Court sustained lower-court rulings that: (1) threw out the government's case against Checker Cab Mfg. Corp.; (2) held the government would have to try 84 defendants individually, instead of en masse, for alleged violations in small-loan business.

The microfilm selector developed by Engineering Research Associates (BW-Nov. 19'49,p41) will be put to work by the Atomic Energy Commission. AEC plans to use the machine to maintain records of research done with radio-isotopes.

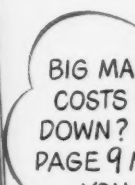
Air-coach DC-6's have been O.K.'d for American Airlines' transcontinental service by the Civil Aeronautics Board. American expects to have three of its Sixes converted to 70-passenger coaches by Apr. 27.

Steel prices will go up because of rising production costs, Ben Morell, chairman of Jones & Laughlin, said this week. But he warned that the timing and size of the increase should be made only after careful study.

FREE BOOKLET SHOWS HOW TAPE WILL CUT COSTS IN YOUR BUSINESS!



LIKE AN EASY WAY
TO SPEED UP YOUR
PRODUCTION LINE?
SEE PAGE 3!



BIG MAINTENANCE
COSTS GOT YOU
DOWN? IDEAS ON
PAGE 9 MAY PICK
YOU UP!



LIKE TO KNOW
ABOUT THE SCORES
OF INDUSTRIAL
TAPES AND THEIR
USES? SEE CHART
ON PAGE 14!

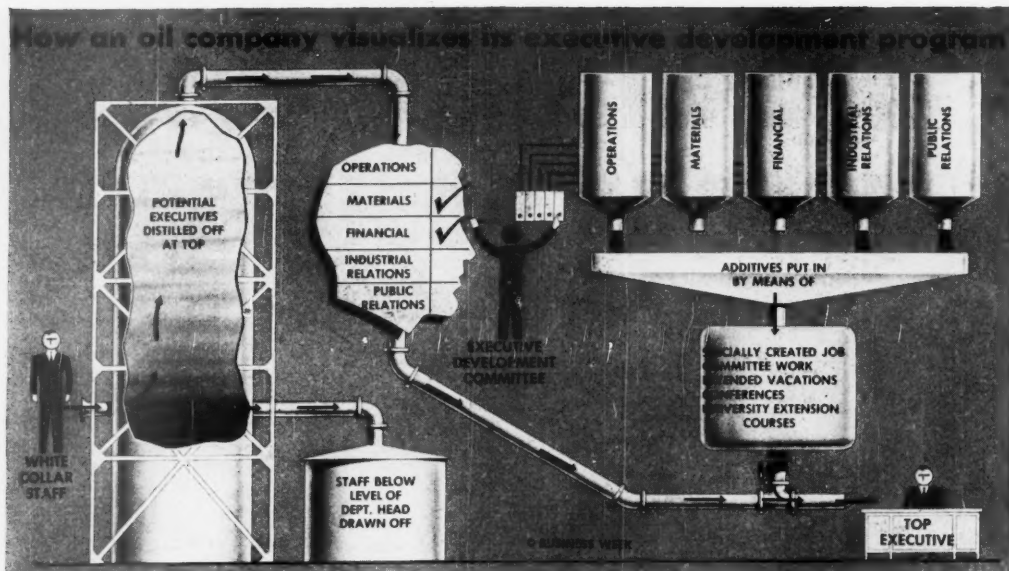
WHATEVER YOUR BUSINESS you'll find these 16 pages of facts, figures and pictures will help you cut costs for 1950! Just drop a note—on your company letterhead, please—to address below for your copy.

Permace!

INDUSTRIAL TAPES

INDUSTRIAL TAPE CORPORATION • NEW BRUNSWICK, N. J.

MANAGEMENT



EXECUTIVE DEVELOPMENT COMMITTEE in typical Standard Oil (N. J.) subsidiary visualizes itself as fractionating tower. By "distilling" out the company's high-test people, Standard Oil feels it has built an efficient method of conducting . . .

The Talent Search to Beat Executive Shortage

Standard Oil looks in own back yard for potential bosses, then builds them for job through long training and experience.

The war helped to create one shortage for U. S. industry which is still a long way from ended—a shortage of executives (BW—Oct. 16 '48, p. 19). In fact, so acute is the problem today that it was the subject of many papers and much discussion last week at the meeting in New York of the American Society of Mechanical Engineers.

Most of this talk centered around ways to cope with the problem. The answer generally came down to this: Look for potential executive talent in your own company. Then build a program to mold it for future promotion through careful training.

• **Psychology, Too**—Being a good executive, the engineers agreed, is a far more complicated job than it used to be. In most U. S. industry, the able boss can no longer be just a smart businessman with excessive drive. The average company has become so complex that successful executives must have a background in everything from business management to psychology.

Such near-omniscience is particularly hard to find in this era of specialization. Thus, any training program for potential executives must teach candidates

as much as possible about the broad operations of the business.

• **Standard Oil**—One company which has built a systematic program since the war to do this is Standard Oil Co. (New Jersey). Under the general heading of "Executive Development," this program has no really clear outline—it doesn't begin or end at any particular place. Instead, the company tries to fit its training to the particular person or situation. That's because Standard Oil believes that the human aspects of the executive's job have become more and more important. Today, it figures, qualities like a man's character, emotional stability, and vision must be examined as closely as his job performance.

In a speech to the annual meeting of the American Petroleum Institute, George B. Corless, Standard Oil's adviser on executive development, described the change that has come about in the search for executives this way:

• **Change in Method**—"Executive selection and executive development . . . have never been lacking. Mr. Rockefeller, Sr., recruited many of his executives by buying successful companies and then giving jobs to the former

owners. This is no longer feasible. There are too many companies and too many people in the business. Thrift plans and pensions make for career employment. Likewise, income taxes take away most of the incentive to change employers for more money. Promotion from within for salaried people is almost as deeply grounded as seniority at the wage-earner level. . . .

"The development of executives is somewhat analogous to the development of reserves of oil. The days of the wildcatter, as we used to know him, are passing; likewise, the crisis method of executive selection. Drilling is too expensive to undertake except after the most careful consideration of the geological data. Executive development envisages the same careful search for talent to be developed as does the search for favorable drilling sites. Technical proficiency is not a sufficient qualification for executive success. The labor-management relationship is too sensitive to permit hit-or-miss acquisition of skill in human relations."

• **The Search**—How do you find executive talent in your organization? Standard Oil's answer: Set up special committees in every department, as its subsidiary companies have done, to screen the personnel. Acting as talent scouts, these committees make an appraisal of

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The cellar that came out on top

For years, his saltcellars had been a symbol to a restaurant owner of what damp, humid air did to his business. The damp salt didn't flow.

That in itself, of course, didn't justify air conditioning. More important were the accentuated kitchen odors. Kitchen steam added its humidity and heat to the atmosphere. Those who dined were hot and irritable—and so were the employees.

That was how an engineer—and Trane equipment—came into the picture.

A Trane air conditioning system was installed in the restaurant. Presto! The salt came out of the saltcellars—and the stickiness and assorted odors came out of the air. Business jumped, customers were happier, employees more alert. All due to the same Trane equipment that makes air more comfortable, more usable, more efficient, in thousands of offices, stores, plants.

Your problem may be larger than this—or smaller. But if it has to do with air—remember that Trane engineers know air. How to dry it, humidify it, warm it, cool it, clean it, or move it. Your local Trane representative will be glad to work with your own architect, engineer, or contractor.

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ADVISER George B. Corless

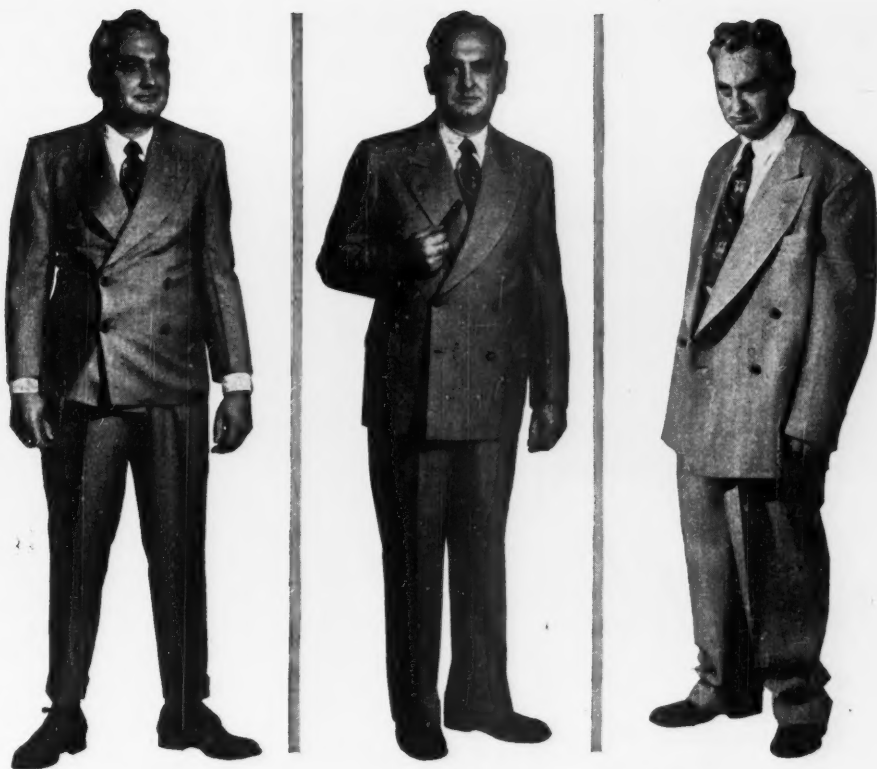
each promising employee. They try first to analyze what he is (chart, page 30)—his character, ability to think, ability to get along with people, and drive. Weighing these factors with his job performance, they next give an opinion as to what he can become—that is, what is the most responsible position he is capable of filling?

The committee's job doesn't end there. Once it decides that a certain man might become, say, a manager of an employee-relations division, it must decide what he needs to know to get there. In other words, in order to make the grade, this employee must pile up several years of the right kind of training and experience. The aim of this is to broaden his background by education and experience fitted to his needs.

• **Elastic Course**—At this point the course becomes highly elastic. What kind of training and experience a potential executive gets depends on things like the kind of job he's being groomed for, the kind of experience he lacks, and the kind of person he is. The way these factors stack up determine whether his preparation to be a boss takes five weeks or five years (usually it's much nearer the latter).

Regardless of the course the trainee follows, the ultimate goal is always the same: Broaden his experience so that he becomes a high-octane end product.

• **Building the Octane**—A high-octane rating comes only after certain "additives" have been put into the mixture. To get these, the trainee goes through several channels. He works with committees so that he can learn high-echelon company policy and problems. He goes to conferences by the score, takes company training courses. He gets "rotational training"—i.e., he is given temporary jobs in divisions of the company that he knows nothing about. Usually he comes in for a handful of university



Why a Can of Paint is Like a Suit of Clothes

On interior painting jobs, the surest way to get greatest satisfaction for your money is to do what you do when you're buying a suit of clothes. **TRY IT ON!**

Yes... make a simple, comparative test of various brands of good paints. *Try them on your wall.* See what a gallon of each will do for you... how far each goes, how well it hides, how well it looks, how long it takes to apply.

On a test like this we're willing to stack up "Barreled Sunlight" against all other brands of paint you want to choose. And we're confident you'll find that "Barreled Sunlight" will give you the best results... *at lowest cost*... for four good reasons:

(1) "Barreled Sunlight" gives you "6 for 5"... up to 20% more spreading capacity per gallon. (2) "Barreled Sunlight" hides better... often requires only one coat for a topnotch repaint job. (3) "Barreled Sunlight" keeps its "fresh-painted" look longer. (4) "Barreled Sunlight" goes on faster... makes important savings on labor which today averages a good 80% of total painting costs.

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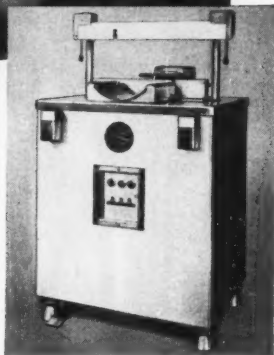


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CRY-O-VAC WRAP

The Cry-O-Vac wrap, recently described in *Business Week*, can be economically and efficiently applied to many food products by the "PACKAGE"-built machine pictured here.

Using Cry-O-Rap bags, this machine vacuumizes and heat seals in one operation at a speed of 300 to 500 pieces an hour. Product and bag are then dipped in a hot water bath which causes the bag to shrink tightly around the product, producing what is virtually a second transparent skin.

The Cry-O-Rap bags are supplied either plain or printed, thus permit-

ting brand identification and perfect product display. Poultry, meat loaf, cheese, provisions, etc., are among the many products now being given this remarkable moisture- and vapor-proof wrap, which prevents loss of flavor and color and (in the case of refrigerated foods) drying out, loss of weight, freezer burn and mold growth.

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Write for leaflet on the Cry-O-Vac Process

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PACKAGE MACHINERY COMPANY

Over a Quarter Billion Packages per day are wrapped on our Machines

extension courses at places like Harvard and the University of Pittsburgh.

Often Standard Oil goes farther than that. It has adopted the rather unusual policy of creating fairly important jobs to train the candidate through actual experience. For example: If a superintendent normally has one assistant, the company will give him a temporary second assistant—the man it is grooming as a future boss.

• **No Fears**—On Standard Oil's experience with this system, Corless has this to say: "Fears as to the added cost for the created jobs were not realized, because most of the trainees more than 'pulled their weight in the boat'. One of them made an outstanding contribution to supervisory training while he worked temporarily in the employee-relations department."

The advantages of job-creation, Standard Oil thinks, are obvious; it gives the man a first-hand, practical knowledge of what he will be up against as a boss. But it considers its other training plans equally important. Rotational training is good because, through observation, it "broadens the employee's knowledge of his company's operations in a minimum of time." Company courses "teach management principles as well as . . . orientation and a better understanding of the company's operations."

• **Damage to Morale?**—One fear that many companies have about the Standard Oil system is the possible damage to morale. They argue that employees resent the knowledge that the company keeps written records about them.

But Standard Oil says that such fears have been unfounded. Says Corless: "Employees are generally heartened when they learn that the boss feels as responsible for their growth and placement as he does for the success of the more tangible, physical, and financial sides of the business. The real damage comes when employees feel that the man closest to the job has a vested right in it, and that all the names will not be put on the table when a vacancy occurs."

Standard Oil has yet to feel any real impact from its trainee system. But it feels that it is making real progress. Said Corless: "Executive development, or management development, is still more of an art than a science. We are still in the dark on how to pre-select potential leaders. . . . There is no complete agreement on the exact criteria for discriminating the good from the bad."

• **"Fascinating Job"**—"Although we are far from our goal, we feel we are making progress. Company after company, department after department, is overcoming the inertia of getting started on a more systematic approach to the most fascinating construction job in all industry—building men. Nothing gives greater job satisfaction."

For Sale: Research

Information Service does reference work—or sets up libraries—for small firms that can't pay full-time librarians.

Plenty of small firms can't afford to employ librarians or fulltime research workers. Such companies may have "libraries" of a sort—but the collection is likely to be haphazard, and uncatalogued.

The net result is that some concerns have to go to public libraries any time they need facts and figures—and generally they have no employee trained to get the information, and get it in a hurry.

For this type of small business, a group of Detroit librarians organized Information Service, Inc. There have been, and are, other such groups in the country. But most organizations of this kind fall by the wayside—it isn't easy to keep the jobs coming in.

The Detroit concern was organized in 1946 by Florence Kretzschmar, of the Detroit Public Library. It provides two types of service for business and industry—a research service, and a library program.

The research service provides fact-finding and reference work on specific projects. The workers are librarians trained in special fields. I. S. has representatives in 65 cities in the U. S. and Canada. Charges are figured on an hourly, job, or retainer basis.

The form the research service takes depends on the kind of job. Special abstract forms are used in preliminary surveys. I. S. supplies rough-draft bibliographies and work guides in cases where companies must examine reference materials once they are located. Or it prepares extensive typewritten reports, correlating information and statistics, if a project warrants.

The library program aims at improving the library facilities of the firm itself. First step is to make a systematic survey of a company's reference collection and its needs. Then I. S. sets up a custom-made classification system for the individual firm. If there isn't any collection at all, it makes a starter choice of pamphlets, periodicals, books, and clips.

I. S. charges a flat fee for this kind of work, depending upon the size of the job.

The second part of the library program is a continuing service in choosing books, cataloging new titles, and general supervision of the collection. Finally, information service will train a company employee to service the firm's collection.

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FARM BUSINESS

Must Farmers Have Props?

Hog producers, meat packers and retailers are out to find the answer. If big pork-selling drive now on succeeds, government won't have to support prices. New trend in farm thinking seen.

Can agriculture market itself away from government price supports?

It's a tantalizing idea and it's getting an important test this month. Last spring's little pigs—now going to market—are arriving with a fanfare of promotion and advertising. The program's backers believe it is the biggest merchandising push a basic food crop ever had.

If it clicks, its promoters may claim credit for keeping the government from having to buy pork heavily to support the price. And it might have a profound effect on food merchandising.

• **Record Slaughter**—The idea of the program is to increase the sale of pork this month and next, when a record peacetime hog slaughter is at its peak.

Hog marketings are expected to rise in the next 12 months 15% over the previous 12 months. Prices have been down close to the support level for weeks. When they stay below a fluctuating "guide price" for a month in seven selected markets, the government will start buying. The guide price for December is \$14.75 per cwt.

In the face of this prospect, the hog men are out to do a sales job for themselves.

• **Campaign**—The American Meat Institute (the packer organization) heads up the campaign. It has the help of hog producers, meat retailers, and the National Live Stock & Meat Board (producers and packers). A good share of the Meat Institute's annual \$2.5-million advertising appropriation will go to praise pork during the next two months, in general and women's magazines and 254 newspapers. The ads will plug nutrition and price.

• **Farmers' Part**—Farmers are taking part in two ways.

(1) With the American Farm Bureau Federation in the lead, their organizations are talking up pork in thousands of meetings—A.F.B.F. alone will hold 5,000. Farmers are being told how to get the help of their local newspapers and radio stations to sell more pork. The Illinois Agricultural Assn., biggest state member of A.F.B.F., is sponsoring meetings of meat retailers in four cities for extra punch. If successful, similar meetings will be held in other cities.

(2) Farmers themselves are putting

up some of the cash. They pay 1¢ per head on beef cattle and 0.33¢ per head on hogs marketed through more than 60 stockyards. The money goes to the National Live Stock & Meat Board, where it is matched by money from the packers. The board has promoted meat for 26 years with funds raised this way.

• **Other Food Drives**—The contribution of farmers to the board's program is probably the largest self-help promotion and research job in agriculture. It likely served as a guide for the American Dairy Assn.'s farmer-financed program, which in 1950 will spend \$1,215,000, most of it for advertising and merchandising. Money for this comes from a levy of 1% of the producer's price for butterfat or its equivalent, based on June production each year.

The American Bakers Assn. is doing the same kind of job, but without any financial help from wheat growers. In 1950 and 1951 its program will be based on 0.1% of 1% of goods sold in 1948. General magazines and women's magazines will get 47 advertisements, all designed to stop the downtrend in wheat consumption.

• **Shift**—If the pork drive goes over, it may bring a shift in basic farm thinking. It would certainly encourage the farmers who believe they should use some elbow grease of their own in pushing their products through to the consumer. And their number is growing.

These farmers, by and large, are the ones who actively distrust government policies to support farm income.

• **Government Blessing**—Government market experts in the Production & Marketing Administration and the Commodity Credit Corp. are just as anxious as anybody else for the pork push to succeed. Nobody really knows how to support the price of hogs. The government's previous experience with a price drop below support levels, in 1943-44, was a failure. The price was simply not supported at the level required by law.

There is one hitch to the food campaigns: They compete against each other. But farmers hope they also may strengthen the position of food as a whole in the housewife's buying budget.

• **Possibilities**—The potentialities of such drives are tempting. A 5% in-



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by machine parts made from extra-hard alloy steels. And to concentrate the iron content of the ore, new chemical processes can flush away much of the "waste" matter—thus leaving an ore 30% richer, for more efficient smelting.

The people of Union Carbide created the *jet-piercing* flame process as well as many of the alloys, chemicals, and other materials essential to today's mining efficiency. And UCC stands ready to help solve problems in other fields of American enterprise . . . wherever better basic materials and better processes are needed.

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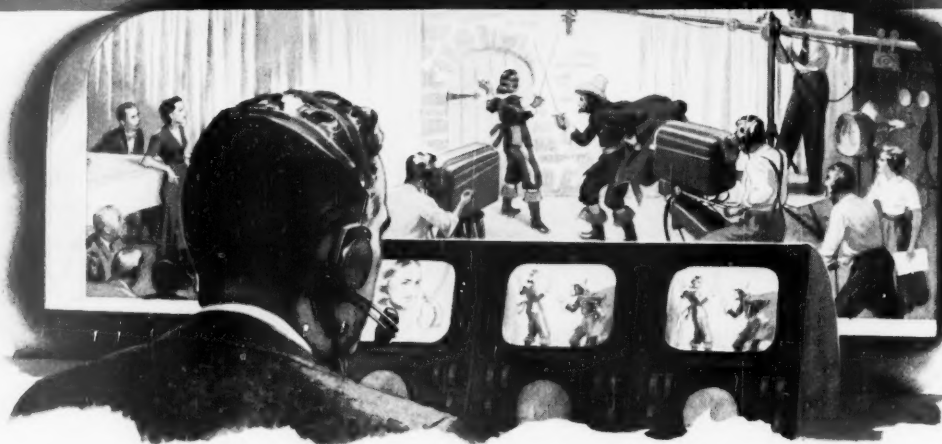


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crease in pork consumption would have solved all our grain-surplus problems in the past 25 years, the Meat Institute believes.

CHEESE IS WONDERFUL

The dairy business is one industry that has proved that food producers, processors, and marketers can get together on a promotion program—and put it across. Its October "Cheese Festival" paid off like a Mardi Gras.

The drive didn't solve all cheese-marketing problems, but it did sell cheese. The Great Atlantic & Pacific Tea Co. reported a new high for cheese sales for a three-week period. Other grocery chains said sales topped quotas.

The American Dairy Assn. rolled the ball, along with the National Cheese Institute. Super Market Institute drew in its members, and related food industries went along. All groups worked singly, using their regular advertising media. But the tune was the same: Cheese is wonderful.

The flow of cheese to the dinner table gave a fillip to sales of tied-in products, such as crackers, canned pineapple, and fruits.

It's Hard to Buy Good Farm Land

Investors looking for a good buy in farm land might as well rest their eyes for a while.

A survey by the Federal Reserve Bank of Chicago shows that farm-land values in the Midwest stabilized in the third quarter, after a slow, moderate postwar decline.

There seem to be plenty of potential buyers. But not many are eager enough to begin a bidding spree. And owners are unwilling to sell at current offers. Result: a near-standstill in transfers.

When a farm does come up for sale, outsiders usually find themselves bidding against neighboring farmers; they are eager for adjacent acreage to make their mechanized operations more efficient.

Furthermore, virtually all of the better farms are in strong hands. A decade of good prices paid off mortgages and generally strengthened farmers' financial positions. While net farm income has dropped (about 16% in 2 years) many producers are still realizing 8% to 10% of their investment.

The long-term trend of farm-land prices is very cloudy at the moment. But perhaps by next summer some of the influences on land values will be in sharper focus. These are: (1) long-range price-support policies; (2) dollar devaluation, real or threatened; and (3) war prospects.

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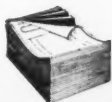
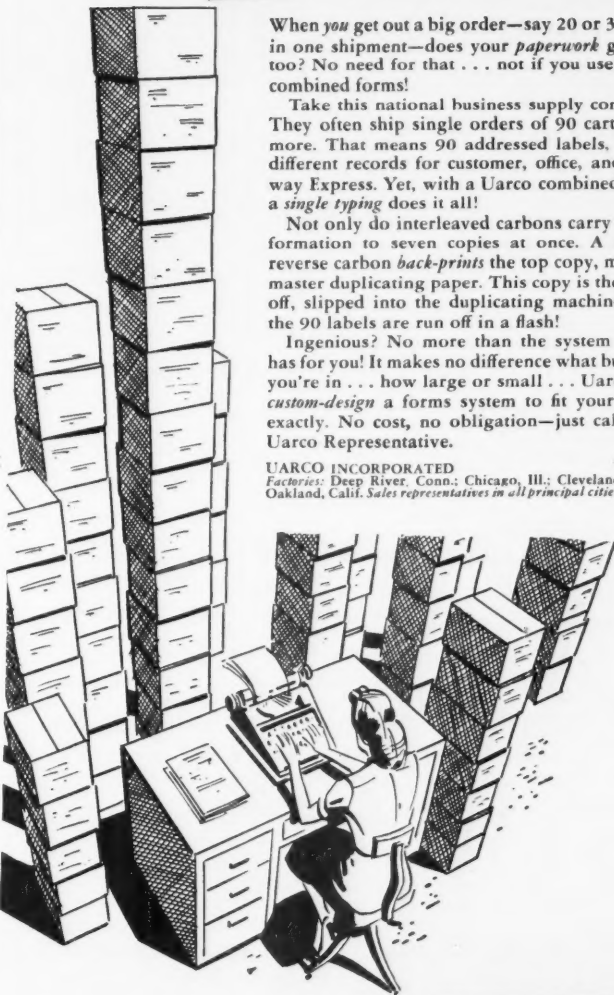
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READERS REPORT:

The Senator Speaks

Sirs:

My attention has been called to your editorial "Blunderbuss Antitrust Policy" [BW—Oct. 15 '49, p. 128]. In this editorial you state, "If Senator Kilgore has his way, and Congress passes the bill prohibiting mergers through purchase of assets, the damage done to business would be too large to measure." From the remainder of your editorial, it would appear that your opposition to this bill stems primarily from your belief that the principal cause of mergers is to be found in the present nature of the tax laws.

Granting, of course, as everyone must, that there are certain characteristics of the present tax laws which tend to promote mergers, I wonder whether the situation is as simple as you have made it appear when you say that, "Most mergers were consummated because of our harsh tax laws." Actually, I believe there are many important causes of mergers, of which the tax laws are certainly one.

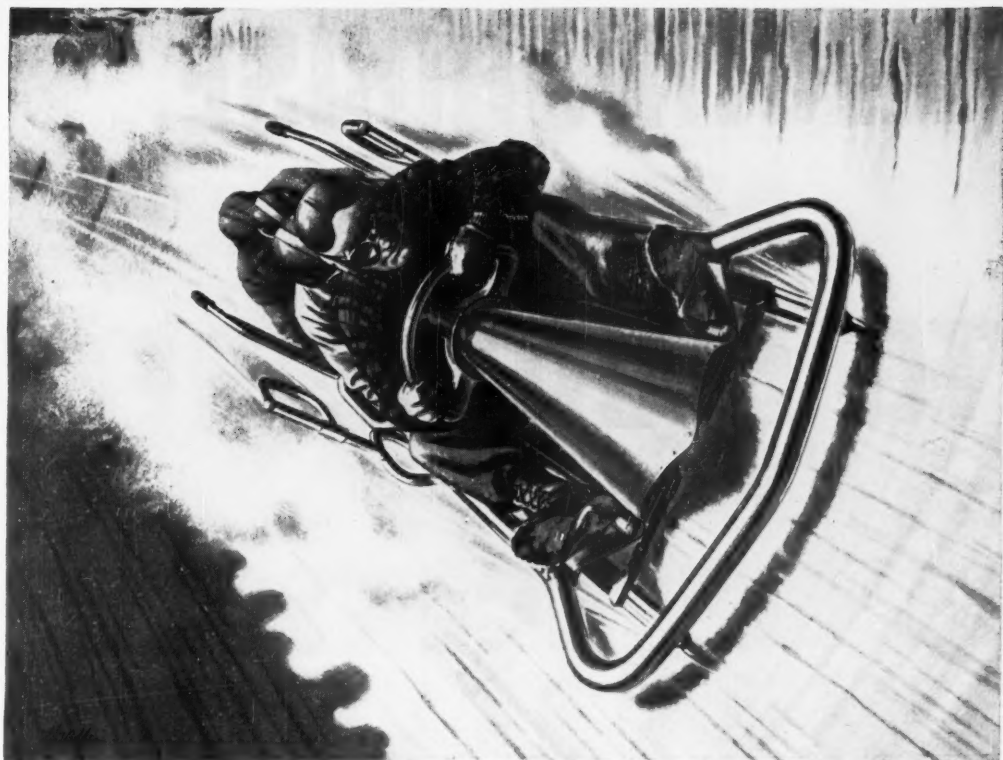
Your statement that "Most mergers were consummated because of our harsh tax laws" is apparently based upon a random spot check which your organization has made of certain acquisitions and mergers that have taken place in recent years. Unfortunately, however, as far as I can find, you have not seen fit to publish the results of this survey in any detailed, statistical manner. All that I am able to find that you have published in regard to this survey is a brief article appearing in the issue of Sept. 4, 1948. This article consists only of certain qualitative observations and does not present any statistical findings. But even these qualitative observations, general as they are, do not support your recent editorial comment as to the predominating importance of the tax laws.

I call your attention to the fact that in a Sept. 4, 1948, article you stated that, as a result of your survey, "three things stand out:

"1. Management difficulties often play some part in the decision to sell.

"2. But the seller doesn't start the merger. He usually waits until the buyer—most often a bigger company—comes to him."

It strikes me that if most mergers are, in fact, due to tax laws, exactly the opposite situation would have been found to exist. If the tax laws are indeed the cause of most mergers, as you contend, one can only marvel at the forbearance of those countless numbers of small firms which, according to your editorial, are being driven to the wall by



Stainless rides high at 80 mph!

When a bobsled hits the vertically banked curves of the Mt. Van Hoevenberg run, it's moving at express train speed.

With the lives of the four-man crew at stake, such a sled has to be immensely strong and dependable in every part. That's why one of America's leading Olympic racers built his sled throughout of Armco Stainless Steel.

Manufacturers are using Armco Stainless in more and more products because of its beautiful appearance, great strength and resistance to corrosion. It is the ideal metal for such long-wearing, useful things as tarnish-proof tableware; durable, gleaming sinks and cooking utensils; sports equipment, and roof drainage systems — as well as for many heavy-duty industrial products.

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Stainless is just one of many Armco Special-Purpose Steels, each designed to serve longer and better in a particular type of use. The purchaser knows this, and is coming to look for the familiar Armco triangle when he buys. Let him know that you have carefully selected an *extra*-quality steel to give him the greatest value and satisfaction for his money.

ARMCO STEEL CORPORATION

HEADQUARTERS AT MIDDLETOWN, OHIO, WITH PLANTS AND SALES OFFICES FROM COAST TO COAST • THE ARMCO INTERNATIONAL CORPORATION, WORLD-WIDE



WESTINGHOUSE ADDS A NEW TO FLUORESCENT *the* FLUORESCENT SUN LAMP

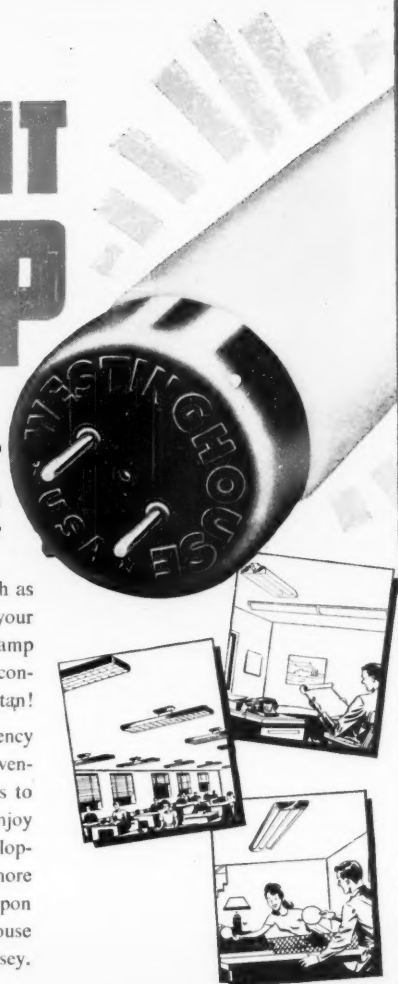
ANOTHER WESTINGHOUSE FIRST
*For the first time . . . Fluorescent Installations Can
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Here's a totally new kind of sun lamp . . . different from any ever made! At last it's practical to *bathe a whole room* with cool ultraviolet rays that stimulate health-building Vitamin D, or to provide sun-tanning intensities for personal applications of short duration.

In wide-area radiation, lower intensities are utilized for longer periods. Thus in general offices, factories, schools, homes, amusement and recreation areas, everyone can easily and pleasantly get a full measure of beneficial ultraviolet while at work or play. For

quick individual sun tanning, such as in your own private office or in your home, the use of inexpensive lamp holders or reflectors provides a convenient means for you to get a real tan!

The lamp has five times the efficiency and four times the life of the conventional sun lamp. And it costs less to buy and less to run! Be first to enjoy this *exclusive* Westinghouse development. Ask your lamp supplier for more details . . . or merely mail the coupon at the right. Lamp Div., Westinghouse Electric Corp., Bloomfield, New Jersey.



DIMENSION LIGHTING

OTHER

Westinghouse Developments

**SAVE $2\frac{2}{3}$
ON LAMP COSTS**

Leadership in fluorescent lighting is not limited to the amazing new sun lamp. Take the regular line, for example. The life of the Westinghouse fluorescent lamp has been extended 66 $\frac{2}{3}$ %. They will last 2 $\frac{1}{2}$ years in average store installations, 3 years in average one-shift factory or office installations. You save $\frac{2}{3}$ on lamp costs, and $\frac{1}{3}$ on time spent replacing burned-out lamps!



"This new Westinghouse fluorescent sun lamp is economical, too. 24-inch size \$4.50, uses only 20 watts; 48-inch size \$7.00, uses only 40 watts."

Lamp Div., Westinghouse Electric Corporation,
Bloomfield, N. J.

Please supply—

- ☐ More information on the new Westinghouse fluorescent sun lamp.
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BW

ANOTHER EXPORTER Cuts Packaging Costs with VAPOR rust preventive!



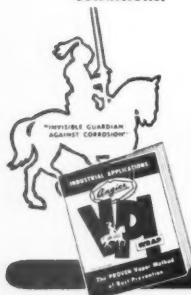
TIMKEN
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Adopts Angier
VPI Wrap
To Prevent Rust of
\$10,000 Bearings

Large rolling mill bearings are too valuable to risk exposing to the severe atmospheric changes that are experienced in export shipping. TIMKEN, was quick to explore the claims of VPI . . . the revolutionary, PROVEN vapor rust preventive. After thorough testing, including a year's experience in wrapping bearings with VPI during manufacture and while in storage, TIMKEN now ships huge bearings overseas protected in Angier VPI Wrap.

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How it works . . . VPI coating vaporizes slowly in presence of air and moisture, forming an invisible non-residual film around the wrapped article. Corrosion is prevented under severest weather conditions.

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Industrial Packaging Engineers Since 1895

FREE — "Industrial Applications of Angier VPI Wrap"

Also Angier Protective Papers for Building, Farm and Other Industrial Uses.

onerous tax laws, but which still refuse to take the initiative and seek out a likely purchaser for their properties. Instead, we are asked to conclude that they are accepting their lot calmly and quietly, watching their business go in the red and waiting for that happy day when some large firm will take the initiative and approach them with a proposition for a merger.

HARLEY M. KILGORE

UNITED STATES SENATE,
WASHINGTON 25, D. C.

• We have answered Senator Kilgore in part by quoting a small businessman, W. W. Vandever, on the Trend page in our preceding issue (BW—Dec. 3'49, p112). In a future Trend, we will attempt to answer Senator Kilgore in more detail.

Red Face Dept.

Sirs:

This is to advise that I am neither Attorney General of Ohio nor am I a Democrat [BW—Nov. 12'49, p15]. I served as Attorney General of Ohio from 1945-1949, and I am a REPUBLICAN.

HUGH S. JENKINS

COLUMBUS, OHIO

• The Attorney General of Ohio is Herbert Duffy. He is a Democrat.

Sirs:

In the paragraph headed "Christmas Clubbers" [BW—Nov. 19'49, p106] there is a typographical error. The percentage increase should be 8.3% instead of 83%.

(MRS.) R. E. RAWLL

VICE-PRESIDENT, CHRISTMAS CLUB
NEW YORK, N. Y.

• BUSINESS WEEK apologizes. Merry Christmas.

Sirs:

I suppose you have heard from any number of people by this time about the aluminum finned Al-Fin bonded "piston" in picture number 4 of your very excellent report on uses of the Al-Fin process of bonding aluminum and its alloys to steel and iron [BW—Oct. 15'49, p81].

In showing the processing technique, as you do in the photos, I think that it should be added that the Al-Fin process is covered by five U.S. patents which have been issued in the past two years, as well as similar patent coverage in foreign countries.

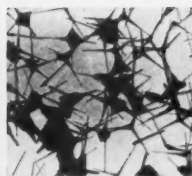
M. V. LITTLE

GENERAL MANAGER, AL-FIN DIVISION,
FARMCHILD ENGINE & AIRPLANE CORP.,
FARMINGDALE, N. Y.

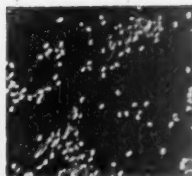
• The "piston" was a cylinder.



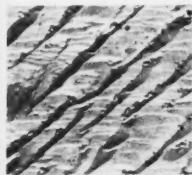
The DPi diffusion pump in an RCA Electron Microscope produces a vacuum of one-billionth of atmospheric pressure in two minutes.



ZINC SMOKE PARTICLES
J. Hillier, RCA



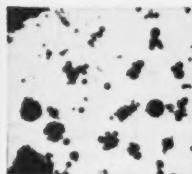
VACCINIA VIRUS
D. G. Sharp, Duke University



POLISHED AND ETCHED QUARTZ
R. D. Heidenreich, Dow Chemical Co.



PROTEUS BACILLUS
R. Wyckoff, National Institute of Health



SILICA SMOKE PARTICLES
A. L. Schorn, Eastman Kodak Company



COLLAGEN FROM ADULT HUMAN SKIN
Gross and Schmitt, Massachusetts Institute of Technology

You see things 1/1,000,000-inch big through DPi High Vacuum

ONE out of every billion air molecules is all you're allowed in an electron microscope. If you leave more, you scatter the beam of electrons which replaces the light rays of the ordinary microscope.

So you turn a handle and within two minutes the DPi diffusion pump, that's part of every RCA Electron Microscope, gets

rid of the unwanted molecules.

DPi high vacuum engineering experience built into these instruments permits specialists in scores of fields to concentrate on their studies of structures never before visible—and to think no more of the high vacuum they use than of drawing a glass of water from a faucet.

Our mission is to make it just that

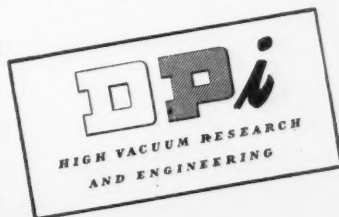
easy for you to take advantage of the remarkable things that happen in high vacuum. If you would like to explore its possibilities in your industry, or if you are interested in improving present high vacuum operations, we invite your inquiry.

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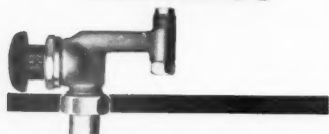
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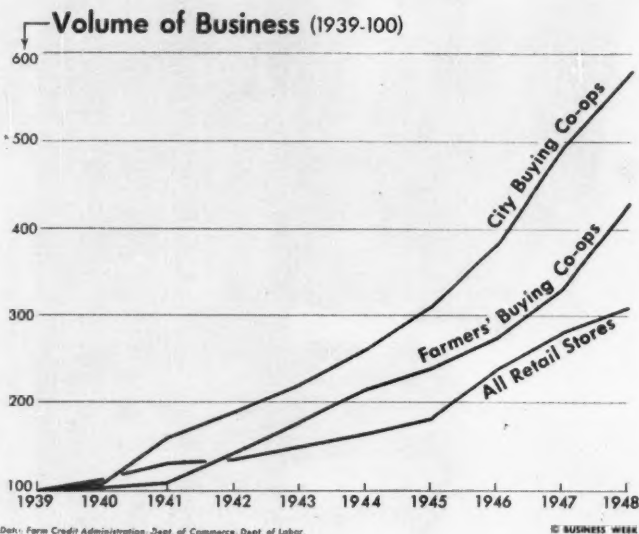
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HEATING MEANS BETTER HEATING

MARKETING



TWICE THE AVERAGE retail growth in the past 10 years is the co-ops' record, but...

Co-op Growth Faces Hurdles

Consumer cooperatives' problems include raising new capital, trying to expand from a modest start. A possible answer to the second: buy existing chains. But that still needs capital.

Over the past 10 years, the consumer co-ops have grown almost twice as fast as the total for all retail sales.

• **Problems**—Despite their rapid growth, the co-ops still have their problems. These problems got a thorough going-over this week by the cooperators who gathered in Kansas City, Mo., for the 21st birthday of Consumers Cooperative Assn., a \$49-million regional manufacturing and wholesaling co-op.

In general, the chief problems facing the co-ops are these:

- Financing precedes the setting up of new co-ops and capital is hard to raise.
- Starting small and growing big, the way the early co-ops did, isn't so easy any more. Nowadays, you have to start big and keep going from there.
- Justifying their place in the community calls for more and better public relations. The co-ops are constantly under attack by such organizations as the National Tax Equality Assn., which charges them with evading taxes and thus gaining an advantage over privately owned businesses.

- **Hospitals**—The capital problem is slowing the development of what are

currently the co-ops' fastest growing ventures—hospital and health associations. Capital is a particularly big hurdle in setting up a co-op hospital, which requires all sorts of high-priced equipment.

Top consumer leaders, however, are looking to Congress for a real boost. There are bills pending which would provide federal financing for housing and hospital co-ops.

- **Spread Too Thin**—It's in the food and gasoline co-ops, however, that co-op leaders have learned that it's better to start big than to begin in a small way and try to grow. For, despite their early rapid growth, co-op food and gasoline operations aren't making any special splash right now. The main reason is that the retail outlets are spread too thin to achieve real economies in distribution. One eastern co-op wholesale organization, for instance, has 200 food outlets—spread through 12 states.

As a result, food co-ops in many cases haven't been able to offer more than a very slim refund to their members when the "deferred patronage refunds" are split up at the end of the year. A

YES, IT'S *Yoloy*

For a LIGHTER, TOUGHER
STRONGER Fire Ladder



SEAGRAVE builds the ladder of its fire truck entirely of Yoloy because this high-tensile, low-alloy, nickel-copper steel is extra strong and durable. Yoloy permits lighter, more rigid construction, making possible smoother hydraulic operation of the ladder. Also, with so much dead weight eliminated, operation is faster.

Yoloy stands the abuse of extreme temperatures and shock, as well as resists corrosion and abrasion. It helps reduce maintenance and extends equipment life.

Let our representative tell you how you, too, can use Yoloy profitably in your products.

Truck and ladder fabricated by The
Seagrave Corp., Columbus, Ohio;
Yoloy tubing for ladder furnished
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Manufacturers of Carbon, Alloy and Yoloy Steel

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REG. U. S. PAT. OFF.

H & D BOXES

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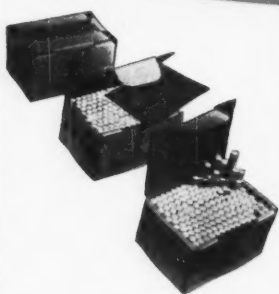
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EVEN CHALK—responds to the magic touch of H & D packaging—of making the package a part of the product. This shelf package, several of which are packed in a master shipping box, affords adequate protection for a delicate, brittle substance. Distinctive one-color printing on a white surface is outstanding in eye appeal, promotes the brand name, commands customer attention. Tuck-in tab increases after-use convenience.

The Package Prompts the Purchase

BECAUSE THIS H & D box reduces packaging costs approximately 50% in addition to providing better product protection than the previous method of packaging, it is definitely part of the product. The economies it effects are felt by manufacturer, dealer and consumer. The box, developed in the H & D Package Laboratory, is engineered to the product, with no excess weight or bulk.



THIS CORRUGATED H & D Prepak is a major factor in the sales success of the product. The box is factory-packed to eliminate repacking and wrapping by the retailer, thereby reducing sales costs. The Prepak is also a colorful counter or window display that stops traffic and increases sales. It is printed in 2 colors on lawn-green linen finish corrugated board. If your product can be packed in "units" or "sets," consider H & D Prepak—the most economical way to pack and sell retail merchandise.

patronage refund of less than 2%, for example, doesn't impress the consumer much when he compares co-op prices with a smasher sale staged by the chain supermarket across the street.

• **Buy Existing Outlets**—These sober facts have co-op leaders thinking about ways to start big. The most likely way, if co-ops are going to achieve real stature in the food field, will be for an already established co-op with capital (like the Ohio or Indiana farm bureaus) to buy up a local food chain intact. That way, it would start off with an established business.

The same thing is true for gas stations—despite the fact that, in some rural areas, co-op gas dealers already dominate the market. Co-op leaders know that the best way to expand in this field would be to buy a local chain of gas stations.

But in order to buy up a chain of food stores or gas stations you need capital. And that gets right back to the co-ops' No. 1 problem.

• **Tax Battle**—The public relations problem comes high on the list, too, mainly because of the co-ops' tax situation. Co-ops which limit their trade to farmers qualify for a tax exemption on the money they pay out as dividends on their capital stock. But neither farm nor city co-op has to pay income taxes on the money they pay out as refunds to patrons. The refund exemption is the chief target of the co-op's attackers, who argue that the refunds are actually profits.

• **Optimists**—These problems, however, don't dim the rosy view that co-op leaders have of the future. They point to the gains they have made in the past 10 years as an example.

In actual size, the co-ops still account for only a small fraction of the nation's business. Last year, for example, they handled some \$2.6-billion worth of merchandise against \$129-billion worth for all U.S. retail stores.

Still, that was almost twice as good, percentage-wise, as the showing in 1930; in that year, the co-ops did only \$546-million, compared with total retail sales of \$42-billion.

• **Half-Brother**—The 1948 figures would be larger by about \$7-billion if you added in the activities of another kind of co-op, the farm marketing co-op. The marketing co-op, however, is a different breed of pup. Its chief objective is to sell goods for its members at the highest possible price. (When 150 dairy farmers in one locality band together to deal as one producing unit in negotiations with a milk-distributing company, that's a marketing co-op.) The chief objective of the consumer co-op, on the other hand, is to buy goods for its members at the lowest possible price.

The consumer co-ops figure that by



All-I-I A-board for Christmas!



It wouldn't be Christmas for her folks if they didn't see their grandchildren. Fortunately, Pullman makes traveling with children easy as tucking them in, turning out the lights, and waking up to an old-fashioned Christmas at home.



Christmas with her only daughter is 500 miles away—500 miles of ice, snow and mountains. But this charming lady in her "weather-proof" Pullman Roomette is sure of getting there. She's traveling on dependable railroad schedules.



He's a business man whose principal business right now is to be home in time for last-minute Christmas shopping. Pullman will get him there, deliver him right to the heart of town, convenient to the shopping district.

Each Christmas is precious. Cherish this Christmas by spending it with the ones you love. And by all means go Pullman to be sure of getting there in time. Better call your ticket agent now to reserve space.

Enjoy the world's great musical shows. Tune in the Railroad Hour every Monday night on NBC.

Go Pullman



THE SAFEST, MOST COMFORTABLE WAY TO GET THERE!

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WORLD-FAMOUS SCHWINN-BUILT BIKES are known for high-quality workmanship. 3M Abrasive Belts give superior finish to frame members, other internal parts.

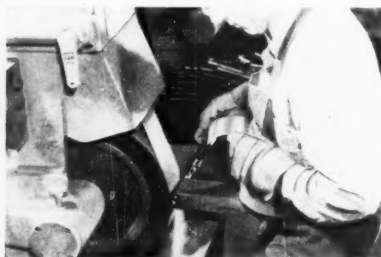
GROOVED BUFF CONTACT WHEEL permits easy polishing of contours on tough crank forgings. 3M Abrasive Belts give smoother finish in half the time of former methods. ➔

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Finishing costs cut 50% on just one of several belt grinding operations

Finishing costs on bicycle crank forgings dropped from 14¢ to 7¢ per unit when Arnold Schwinn & Co., America's largest bicycle manufacturer, converted to belt grinding. 3M Abrasive Belts give faster rough cutting, finer finishing, save \$42,000 a year on this one operation alone.

3M Methods Engineers are trained to analyze your production problems in rough grinding or finishing of metals, wood, glass, or plastic. They can show you savings . . . increase the quality of your workmanship. Write today for complete information.



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BW-129



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buying large quantities of the goods their members need, they can get quantity discounts; besides, they aim to cut out as much of the retailer's markup as possible. To that end, the co-op sets up its own store. The member buys mer-

chandise from the store, usually at prices comparable to those in other retail outlets. At the end of the year, however, the co-op store's savings (or what would correspond to profits in an ordinary store) are distributed to the mem-

THE MARKETING PATTERN

MARKETING was behind the door when the theories were passed out.

Almost every branch of science—from anthropology to zoology—has a well-developed body of theory to go with it. That's also true in some branches of business, such as production or international finance. But not marketing.

We perfected production theories while mass distribution tumbled along by trial and error. One reason why, of course, was that mass production had to come first; without it, what need for mass distribution?

But there's another reason. Production deals in terms of gear ratios, revolutions per minute, units per hour. Marketing starts with a buying impulse lodged somewhere in the unchartable dark of the human mind.

Fortunately, the difficulty of the problem doesn't keep people from trying to develop marketing theories. For one example of the attempt to codify the economic behavior of consumers, you might consult the most recent issue of the Harvard University Press's *Quarterly Journal of Economics*.

THE ARTICLE by Arthur P. Becker is entitled "Psychological Production and Conservation." Becker's thesis is that economists put too much emphasis on conventional methods for increasing the value of a product—such as changing its form (from corn to corn flakes, for example) or its location (moving it to market). There are other ways, says Becker—psychological ways—to increase value. In fact, the real test of the value of a piece of merchandise, he says, is the consumer's satisfaction with the product after he has bought it.

The consumer gets his own personal economic satisfaction into balance, says Becker, when he achieves a "psychic equilibrium" between (1) the amount, G_a , the quality, Q_a , and the degree of appreciation, A , of goods he already

has; and (2) the amount G_d , the quality, Q_d , and the intensity of desire, I , for goods in general—both those he has and those he hasn't. Becker labels this satisfaction with the letter S and relates the factors in his equilibrium with this formula:

$$S = \frac{G_a Q_a A}{G_d Q_d I}$$

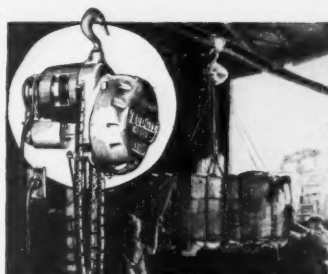
Creating a new desire throws the equilibrium out of balance and makes the consumer want more or better goods.

THE CONCLUSION that marketing men can draw from Becker's analysis is this: Selling goods depends on keeping the consumer from getting into equilibrium and shunning the stores. But experienced marketers will add this to Becker's theory: Destroying the consumer's psychological satisfaction with something he has just bought can have bad effects, too.

Becker probably won't like the use marketers make of his theory; he's more interested in the problems of the individual than those of the shopkeeper. "The latest fashions in women's clothing," he says, "is a repeating example of the uneconomic creation of desires."

BUT WHO'S TO SAY whether psychological obsolescence is good or bad? The important thing to realize about psychological production and destruction is that they exist and can be turned to a seller's advantage or disadvantage.

Becker's analysis of an individual's economic equilibrium helps to point up the difficulty in developing a foolproof body of marketing theory. Even so, marketing men can develop a framework of sound methods for the distribution of goods. Techniques, still unthought of, will eventually get more and better goods into consumers' hands—more efficiently—even though the mind that makes the buying decision still defies pigeonholing.



Make both happier!

When 'Budgit' Electric Hoists are installed, both labor and management enjoy the results.

Workers find the job goes much easier. No longer do they dread rupture, sprains and over-tiredness from lifting. All their energy goes into production—is not sapped by fear or fatigue.

Management likes the greater production at much lower cost—vitaly important in these highly competitive days. 'Budgits' save from some to many precious minutes in every working hour. So they pay for themselves many times over in their long, trouble-free lives.

There are no installation costs. Hang up, plug in and use. Current consumption is too trifling to figure against the sure, double savings.

Check your entire plant, warehouses and loading platforms for spots where 'Budgits' could save money for you. At least install one to prove to yourself the truth about the savings.



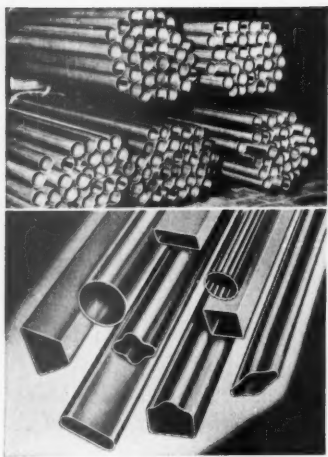
Made in sizes to lift 250, 500, 1000, 2000 and 4000 lbs. Prices start at \$119. Write for Bulletin No. 391.



'BUDGIT'
Hoists

MANNING, MAXWELL & MOORE, INC.
MUSKEGON, MICHIGAN

Builders of 'Show-Box' Cranes, 'Budgit' and 'Load Lifter' Hoists and other lifting specialties. Makers of 'Ashcroft' Gauges, 'Hancock' Valves, 'Consolidated' Safety and Relief Valves, 'American' Industrial and 'Microsen' Electrical Instruments.



TUBING USERS everywhere

find the cold-formed, resistance-welded product of Yoder Tube Mills of excellent quality. Whether their tubing is made by others or by themselves on a small, compact Yoder Mill, they find it of uniformly fine finish, high weld-strength, accurate in shape and size, exceptionally free from surface imperfection, and easily fabricated.

Many manufacturers of metal furniture, appliances, fixtures, automotive and industrial equipment, boilers, conduit, and other products, have invested in one or more Yoder tube mills. In their operation, dependence on human skill and vigilance is surprisingly small, first cost and unit cost the lowest ever known. That's why more Yoder mills are being made and sold than of all other makes combined. That is also why the end uses of tubing are multiplying at an amazing rate.

If you are thinking of making pipe or tubing, for your own use or for sale, in sizes from $\frac{1}{4}$ " up, send for new 64-page book, answering many important questions about tube mills and their operation. Consultations, estimates, recommendations for the asking.

THE YODER COMPANY
5530 Walworth Ave. • Cleveland 2, Ohio



bers in proportion to the amount of goods they have bought.

• **Spreading Out**—Actually, the consumer co-ops have gone far beyond this. In most co-op stores, you don't have to be a member to buy merchandise (although often only the members get year-end dividends). And from buying in quantity lots for splitting up among members, the co-ops have moved back along the distribution chain into wholesaling—and even production.

As a result, a list of the manufacturing operations owned by cooperatives affiliated with National Cooperatives, Inc., (the central manufacturing and merchandising organization for 24 regional co-ops in the U. S. and Canada) now includes: 12 seed mills, 3 farm-machinery factories, 13 fertilizer factories, 3 coal mines, 1,500 oil wells, 20 refineries, 6 sawmills. And that doesn't include a flock of alfalfa-dehydration plants, bakeries, bottling works, canneries, chick hatcheries, flour mills, insecticide plants, paint factories, soybean-processing plants, etc.

Co-ops are going great guns in insurance, too, beginning usually with automobile insurance. The Ohio Farm Bureau, for instance, claims that it writes more car insurance in Ohio, Vermont, and North Carolina than any other company.

No Payoff for Rum

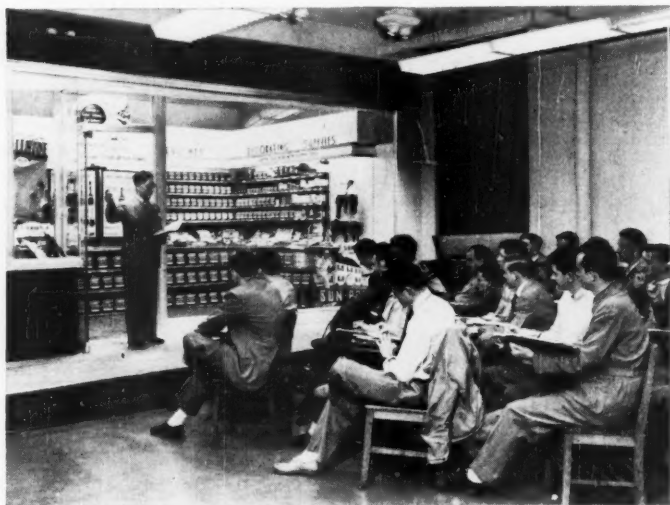
Puerto Rico is spending big money to get U. S. drinkers to switch to rum. But they still prefer whisky or gin.

Since last spring the Puerto Rican rum industry has poured all told some \$1.5-million into an advertising campaign to boost rum consumption in the U. S. Now it's about to spend another \$1.5-million to the same end.

But as the promotional campaign swung into its second phase, there was some disagreement as to its accomplishments thus far. Essentially the argument boils down to which set of figures should be used as an index.

The Puerto Rican Industrial Development Co., basing its claim on the amount of rum shipped to the U. S., says that the island's rum sales here have doubled. And it attributes this largely to the promotional campaign, on which Pridco alone will have spent \$1.5-million by next spring. Distributors are watching this sum and promoting their own Puerto Rican brands.

• **The Other Side**—But trade observers claim that Puerto Rican rum sales in



Model Store Sells Modern Merchandising

Dr. Warren W. Leigh has set up the model store pictured above in a classroom at the University of Akron. Leigh—who is widely known for his distribution studies made for the tire industry—borrowed his idea from industry's merchandising laboratories. Students in the university's commerce school are using the store as a testing ground for

new ideas in sales and advertising. Right now Leigh's model is acting the role of a paint store. The products it displays were stocked by Pittsburgh Plate Glass Co., which supplied the plate glass for the store front. Other companies are also cooperating; so the store will become a tire store, a specialty shop, etc., at regular intervals.

Kimpak® Float Packaging



ALUMINUM COOKING UTENSILS
Vita Craft Corporation, Kansas City

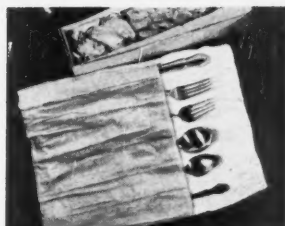
Cuts shipping costs— reduces damage in transit!

For shipping anything from perishable foods to finely finished utensils and appliances, your best assurance of complete protection is KIMPAK® creped wadding. Strong, yet soft—flexible, yet smooth—KIMPAK provides the perfect cushion to guard against finish damage.

Although a top quality packaging material, KIMPAK is economical to use. It's neat, easy to apply—saves time in the shipping room. It's clean and pleasant to handle. And KIMPAK is feather-light to reduce the size and weight of shipping packages. No other cushioning material

provides comparable safety with so little bulk or weight!

Moreover, the smart-looking, eye-appealing neatness of a KIMPAK-wrapped product cannot be surpassed. Many of America's finest products go to market protected with KIMPAK—because of its attractive appearance. So try "Float Packaging" at your first opportunity. There is a specification to meet every requirement of the four basic methods of Interior Packaging: Flotation, Blocking and Bracing, Surface Protection, and Absorbent Packaging.



Individual Table Service—in pocket envelope lined with KIMPAK.
Photo courtesy International Silver Company.



Electric Waffle Iron
Photo courtesy General Electric Company.

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Neenah, Wisconsin

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KIMPAK packaging guide.

BW-1249

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CREPED WADDING

Explore *Canada's* New Business Frontiers with *Canada's First Bank*



THOUSANDS OF U.S. businessmen are fast realizing that in Canada today lies a profit potential undreamed of a decade ago.

There's the oil boom in Alberta . . . newly discovered ore in Labrador . . . abundant water power . . . a flourishing economy that places Canada third among the trading nations of the world . . . a challenging opportunity to pioneer your way to profit in many fields.

The Bank of Montreal, with offices and an informed staff in key U.S. cities, can help you explore this magnificent market. As Canada's first bank, we offer you experience gathered through years of on-the-scene familiarity . . . backed by resources of over two billion dollars.

Start your exploration with CANADA TODAY—our 100-page booklet that's full of pertinent information and pictures—a handy, pocket-sized guide—a ready reference to Canadian facts and figures. For your copy of CANADA TODAY, as for all business information, write to any of our offices listed here, or to the Business Development Department, Bank of Montreal, Place d'Armes, Montreal.



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NEW YORK 5: 64 Wall St.—C. T. Aulph, A. St. C. Nichol, F. W. Hunter, Agents
CHICAGO 3: 27 South La Salle St.—L. E. Tritschler, Manager
SAN FRANCISCO 4: Bank of Montreal (San Francisco)—
333 California Street—G. T. Eaton, President

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BANK OF MONTREAL

Canada's First Bank

In Canada since 1817...

In the U. S. since 1859

More than 500 Branches across Canada



The Facts Behind the Figures

FOR 1949

WHAT THE B of M HAS TO MEET ITS OBLIGATIONS:

CASH: The B of M has cash in its vaults and money on deposit with the Bank of Canada amounting to



\$ 229,296,309.15

MONEY in the form of notes of, cheques on, and deposits with other banks



156,733,757.58

INVESTMENTS: The B of M has over a billion dollars invested in high-grade government bonds and other public securities, which have a ready market. Listed on the Bank's books at a figure not greater than their market value, they amount to



1,044,968,842.21

The B of M has other bonds, debentures and stocks, a substantial part of which represents assistance to industry for plant development in the post-war period. These investments are carried at



122,917,348.16

CALL LOANS: The B of M has call loans which are fully protected by quickly saleable securities. These loans amount to



48,174,652.91

QUICKLY AVAILABLE RESOURCES: The resources listed above, which can quickly be turned into cash, cover 78% of all that the Bank owes to the public. These "quick assets" amount to

\$1,602,090,910.01

LOANS: During the year, many millions of dollars have been lent to business and industrial enterprises for production of every kind—to farmers, fishermen, lumbermen and ranchers—to citizens in all walks of life, and to Provincial and Municipal Governments and School Districts. These loans now amount to



487,352,653.41

BANK BUILDINGS: In hamlets, villages, towns and large cities from coast to coast the B of M serves its customers at 541 offices. The value of the buildings owned by the Bank, together with furniture and equipment, is shown on its books at



17,850,169.22

OTHER ASSETS: These chiefly represent liabilities of customers for commitments made by the Bank on their behalf, covering foreign and domestic trade transactions



32,394,530.80

TOTAL RESOURCES WHICH THE B of M HAS TO MEET ITS OBLIGATIONS . . . \$2,139,688,263.44

WHAT THE B of M OWES TO OTHERS:

DEPOSITS: While many business firms, manufacturers, merchants, farmers and people in every type of business have substantial deposits with the B of M, the larger part of the money on deposit with the Bank is the savings of well over a million private citizens. The total of all deposits is



\$2,019,142,697.65

BANK NOTES: B of M bills in circulation, which are payable on presentation, amount to



3,621,916.00

OTHER LIABILITIES: Miscellaneous items, representing mainly commitments undertaken by the Bank on behalf of customers in their foreign and domestic trade transactions



31,767,839.18

TOTAL OF WHAT THE B of M OWES ITS DEPOSITORS AND OTHERS

\$2,054,532,452.83

TO PAY ALL IT OWES, THE B of M HAS TOTAL RESOURCES, AS SHOWN ON THE LEFT SIDE OF THIS STATEMENT, AMOUNTING TO

2,139,688,263.44

WHICH MEANS THAT THE B of M HAS RESOURCES, OVER AND ABOVE WHAT IT OWES, AMOUNTING TO

\$ 85,155,810.61

This figure of \$85,155,810.61 is made up of money subscribed by the shareholders and, to some extent, of profits which have from time to time been ploughed back into the business to broaden the Bank's services and to give added protection for the depositors.

EARNINGS— After paying all overhead expenses, including staff salaries, bonuses and contributions to the Pension Fund, and after making provision for contingencies, and for depreciation of Bank premises, furniture and equipment, the B of M reports earnings for the twelve months ended October 31st, 1949, of

\$ 9,221,569.97

Provision for Dominion Income Tax and Provincial Taxes

3,405,000.00

Leaving Net Earnings of

\$ 5,816,569.97

This amount was distributed as follows:

Dividends to Shareholders

\$ 3,600,000.00

Balance to Profit and Loss Account

2,216,569.97

CANADA'S FIRST BANK HOLDS LARGEST CANADIAN DEPOSITS

Canadians have more money in the B of M than in any other bank. Canada's First Bank holds total deposits of more than \$2 billion . . . and the large bulk of this money is held for well over a million and a half Canadians in every walk of life—confident people who know the value inherent in 132 years of solid growth.



Business executives attention!

**Send FLOWERS-BY-WIRE to your customers—
the perfect, personalized Christmas Gift!**

Christmas FLOWERS-BY-WIRE make a *real impression*
on all good customers or clients, on management and
professional people. Any man and his wife will appreciate
the *thoughtfulness and warmth* of the giver.

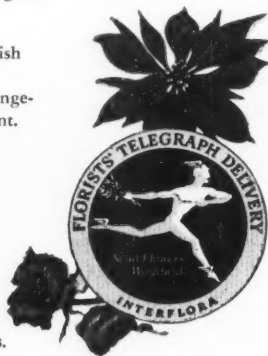
Make up your business Christmas list now.
Spot the *number* of people to whom you can wish
a very Merry Christmas with a lovely bouquet
of fresh FLOWERS, a wonderful table arrange-
ment or a stately, gorgeous poinsettia plant.

Order FLOWERS-BY-WIRE through your local
F.T.D. FLORIST. This will eliminate
shopping problems and save you time.
The Winged Mercury Emblem on
each member's window is our pledge
that satisfaction is guaranteed!

Christmas FLOWERS-BY-WIRE will produce
large amounts of *goodwill* with your customers.

Say it with FLOWERS-BY-WIRE

FLORISTS' TELEGRAPH DELIVERY ASSOCIATION, 149 Michigan Ave., Detroit 26, Michigan



the U.S. instead of going up, have actually dropped.

They base their argument on the sales figures for the 17 states that have a monopoly on liquor sales. Though these states account for only 30% of total U.S. sales, the trade regards their figures as indicators of general trends. Here's what the monopoly-state figures show for the first nine months of 1949:

- Sales of all distilled spirits ran 5% behind the 1948 period.
- Sales of rum as a whole were down 6.5%.
- Sales of Puerto Rican rum were off even more—14%. Puerto Rican rum accounted for only 54% of all rum sales, as against 57% the year before
- Sales of gin—rum's chief competitor—actually gained a bit.
- Shipments—Actual shipments of Puerto Rican rum into the U.S. came to 378,658 cases during the first nine months of the year, as against 181,407 during the same months of 1948. But, say observers, there's a catch to this: Most of the rum that has been retailed during the past five years has been coming out of wartime and postwar excess stocks.

What caused the spurt in shipments? Trade observers lay it to these factors: (1) overordering by wholesalers and retailers who expected greater consumer demand because of the promotion campaign; (2) reordering by some retailers who had managed to dispose of their old excess inventories; and (3) increased sales of a few brands that have a following in this market.

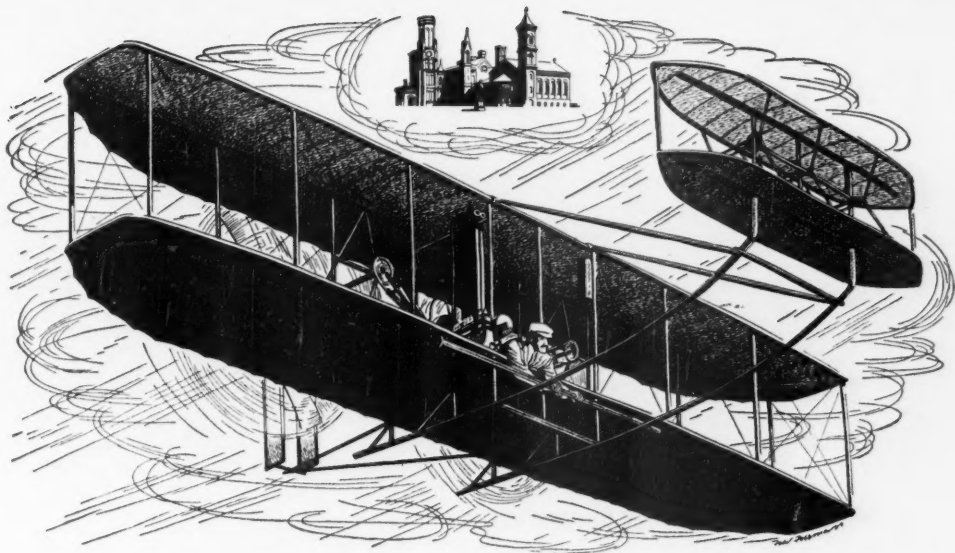
Funny Money Is Legal Tender in Texas

Money is bouncing all over the place these days in the Panhandle of Texas.

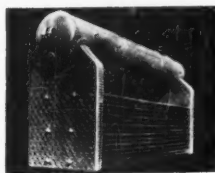
There's a simple explanation: The dollars are made of rubber; they're all part of a trade-at-home campaign launched by R. G. Hughes, president of the Hughes Companies, building contractors in Borger, Tex. Borger is one of the towns in a tri-city trade area which also includes the communities of Phillips and Buna Vista. The dollars are valid for purchases in the entire tri-city area until the end of this year.

• **Bonus**—Hughes has been giving his employees an annual efficiency bonus for several years. This year Wayne Phelps, manager of Hughes' radio station, KHUZ, got the idea of paying the bonus in rubber tender.

On the face of each rubber dollar is the slogan: "Let's spend our money in the community where we earn it." The back explains that rubber is a vital tri-city petroleum product, and that the rubber dollar was made from raw materials produced by Phillips Petro-



Does your Boiler belong in a Museum?



Progress makes mechanical equipment obsolete long before it wears out. Giant strides in steam generating practice during the past twenty-five years have resulted in substantially increased efficiencies and lower operating costs... have greatly accelerated obsolescence. And when you consider today's cost of fuel and labor, you may find that these gains in operating efficiencies would make modern steam generating equipment a profitable investment for you.



Many of the technological improvements responsible for this accelerated obsolescence have been successfully applied findings of Combustion research and development. The experience incident to this progress is at your disposal. Lower steam costs can help solve today's critical problem — widening the margin between your costs and your selling price. A letter from you will bring an experienced C-E sales engineer to your office.

B-356

**COMBUSTION ENGINEERING —
SUPERHEATER, INC.**

Merger of Combustion Engineering Company, Inc. and The Superheater Company

200 Madison Avenue • New York 16, N. Y.

ALL TYPES OF STEAM GENERATING, FUEL BURNING AND RELATED EQUIPMENT

PENSIONS



Our new brochure "Planning a Successful Retirement Program for Your Company" explains how Marsh & McLennan can assist you in designing or revising a pension plan. Our service is built upon years of experience in helping solve retirement problems for companies, large and small, in the various industries throughout the country. Write for a copy on your business letterhead.

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Here's the compact, handy guide you've been wanting, to help you select the right desks for your office. Illustrates the special desks now available to fit the special requirements of modern offices—handsome, functionally designed desks that do things to step up office efficiency. Mail the coupon—or have your secretary drop us a line—right now! No obligation, of course.

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MANUFACTURING CORP., CORRY, PA.
Master Craftsmen of Steel Office Furniture

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City _____ State _____

leum Co., Huber Corp., and United Carbon Co. All three companies operate large plants in the area.

• **Restrictions**—Most of the people who got the Hughes bonus seem to be perfectly content to have the bouncing bucks instead of U.S. greenbacks. They are using them just as though they were real. There are a couple of restrictions on their use, but these don't seem to bother the tri-city inhabitants. One is that the rubber money can't be spent outside the tri-city area. Another: Consumers may not exchange the bonus money directly for U.S. dollars; only the merchants who take it in trade are privileged to give it to Hughes and get real money back. That means, of course, that every bit of bonus money Hughes paid out will have to move through trade channels in the tri-city area by New Year's Day.

MARKETING BRIEFS

Waltham Watch's comeback has been aided by a \$450,000 government order for aircraft clocks. President John J. Hagerty says the company's chance of breaking even in 1950 depends on its success in getting output "about equally divided between watches and other products."

A trailer showroom is helping Albers Super Markets boost its Christmas business in the Cincinnati area. The trailer is used to show off champagne, candy, boxed dinners to large employers who want gifts for employees or customers.

Skyrocketing coffee prices have spurred the Census Bureau to resume its periodic survey of coffee inventories. The bureau says that it had to suspend its survey in 1947 because of curtailed funds.

Brooks Bros., Manhattan's exclusive men's clothier, will open another branch store in Chicago. It already has a branch in Boston, two branches on the West Coast.

Shoe and slipper output in September ran a bare 1.3% behind September a year ago. At the Popular Price Shoe Show in New York City, the feeling was that 1949 sales in the popular-price lines will wind up slightly behind 1948 in dollar volume, slightly ahead in units.

Over-all advertising revenue for four major media dipped 2% during the first nine months of 1949 as against last year. Publishers Information Bureau puts revenue of newspaper magazine sections up 9%, farm magazines up 1%, general magazines down 2%, network radio down 4%.

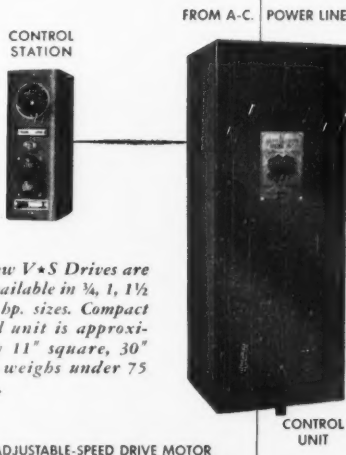


NOW... NEW V*S DRIVES

(3/4-2 hp.)

for Thousands of Additional Applications

*at a price
everybody can afford!*



The new V*S Drives are now available in 3/4, 1, 1 1/2 and 2 hp. sizes. Compact control unit is approximately 11" square, 30" high—weighs under 75 pounds.



**The Original Packaged All-Electric,
Adjustable-Speed Drive for A-c. Circuits**

Adjustable Speeds from A-c. Power for GREATER PRODUCTION at LOWER COST!

Here is a simple, space-saving, low-cost *All-electric* Adjustable-speed Drive. This V*S Drive utilizes the same fundamental principles employed in the design of *all* Reliance V*S Drives for over 11 years.

UNLIMITED SPEED CHANGES. Provides an unlimited selection of speeds over a wide range—*electrically*.

JOGGING AND CREEPING SPEEDS. Selector switch provides for slow, jogging speed. Creeping speeds available through speed adjuster.

REMOTE CONTROL. Push a button and twist a knob—at the machine or at any remote location—for *instant* action.

QUICK, SMOOTH STARTING AND STOPPING. Offers fully controlled starting and stopping. Dynamic braking is available.

SPACE-SAVING. Compact, adjustable-speed drive motor connected to the driven machine saves valuable production space.

SIMPLIFIED DESIGN. Simplest design ever achieved in a packaged, all-electric adjustable-speed drive operating from A-c. circuits.

ADAPTABLE. The new V*S Drive can be easily applied to existing machines or built into machines as original equipment.

Machine builder or machine user, it will pay you to have all the facts on this important extension of the V*S line. Write today for Bulletin D-2101.

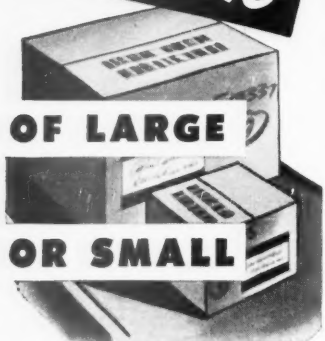
Sales Representatives in Principal Cities

RELIANCE ELECTRIC AND ENGINEERING CO.

"Motor-Drive is More Than Power" • 1069 Ivanhoe Road, Cleveland 10, Ohio



**FASTER
HANDLING**



OF LARGE

OR SMALL

PACKAGES

NO MATTER what size packages you handle... bottles, crates, cases, cartons, drums, cans, boxes, bales, bags... Farquhar has the right package handling Conveyor for you! Whether you need a portable, semi-permanent or permanent installation, move materials horizontally or from floor-to-floor, tell us your handling problem. We'll give you the information you need!

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PORTABLE OR PERMANENT
CONVEYORS
SAVE YOU MONEY

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612 W. Elm St., Chicago 10, Ill.

Send me free data on Farquhar Package
Conveyors ☐ Portable ☐ Permanent
I handle packages ☐ under 100 lbs. ☐ 100 lbs.
☐ 300 lbs. ☐ 500 lbs.

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PRODUCTION

Engineers Can Cut Costs

A. S. M. E. experts discuss ways of applying the engineering approach to cost reduction. They see big jobs to do in preventive maintenance, personnel training, manufacturing costs.

Something new has happened to engineering thinking—something that may show up in direct results in your own plant. The mechanical engineer has moved out of the narrow alleys of stresses and strains, combustion cycles, and heat-transfer theories. He is venturing into much broader fields.

An observer could feel the change of air last week at the 70th annual meeting of the American Society of Mechanical Engineers, in New York. Some 6,000 representatives of this country's top mechanical engineering talent free-wheeled their bulky program (275 papers in 78 sessions) over some broad terrain. They talked management problems, how to train engineers, how railroads could do a better job of engineering and materials handling, possibilities of new conveyor-belt techniques.

The payoff to industry may well be:

- (1) Lower manufacturing costs;
- (2) More efficient engineering design.
- (3) A continuing supply of well-trained junior engineers;
- (4) A more stable engineering-labor market;
- (5) Help to railroads.

Naturally, A.S.M.E. members didn't forget their beloved pressure vessels, gas turbines, high-temperature alloys, rocket engineering, and the like. But the focus of attention fell mainly on the new fields of engineering interest.

I. Management Problems

Every management man is acutely cost-conscious. So A.S.M.E. management sessions stuck pretty closely to methods of controlling cost.

Along this line, D. M. Voitsberger, comptroller, the S.S. White Dental Mfg. Co., had several points to make. Any cost system, he said, must first of all be practicable. To make certain the system works, the cost standards must be based on a scientifically planned budget. The budget itself is based on what costs should be under normal operating conditions. Check actual cost results against these standards every week. Then you have a measure of the efficiency of each operating department, as well as of the whole plant.

Voitsberger insisted that no cost-control system was worth its salt unless

responsibility for it is pinned down. Authority should go hand in hand with the responsibility. And responsibility must be based on cooperation from all departments throughout the plant, right down to the operating man.

• **Maintenance**—In considering control of maintenance costs, start with the engineering and buying of equipment. That was the advice of Howard Bishop, chief industrial engineer, the Youngstown Sheet & Tube Co. A primary question is this: Is the equipment up to the job?

Bishop urged preventive maintenance programs as a potential cost saver—that is, catching the breakdowns before they occur. But he warned that such a program costs money. You have to weigh the expense of a preventive-maintenance setup against the cost and probability of machinery breakdowns.

• **Quality Indicator**—Another kind of control came in for an airing: quality control. R. C. Miles, of General Electric Co., Erie, Pa., told of an automatic indicator that performs the functions of control charts. The indicator counts the parts inspected; it also counts the number of rejects for one quality characteristic, and shows the percentage of rejects by meter. As long as the meter needle stays in the green portion of the scale, the percentage of rejects is normal; if it swings into the red, you're headed for trouble.

Miles says the mechanical inspector results in improved product quality, reduces scrap and rework losses. Right now, the machine will work only where rejects run less than 10%. (If you are getting more than 10% rejects, your process probably needs drastic change.)

II. Employment Problems

In the next 10 or 12 years, jobs in engineering may increase by 100,000, A.S.M.E. members heard. (These are Bureau of Labor Statistics figures.)

BLS shows that salaries of younger engineers have climbed higher, on a percentage basis, than the salaries of longtime engineering employees. The first 10 years of experience net the biggest salary gains.

F. K. Mitchell, manager of equipment, New York Central System, had

*I'd give a lot for
a little QUIET!*

With FIBRETONE
you'll have lots of
quiet for very little!*



NO ONE likes business to be quiet, but it's never good business to have noise—especially when it's unnecessary.

Fibretone sound-absorbing panels are scientifically designed to help end costly noise—to give you a ceiling "with a hundred thousand noise traps."

In each 12"-square unit, hundreds of cylindrical holes or "noise traps" are drilled in the sound-absorbing material. In a room 15' x 15' you'd have 108,900 of these "noise traps." Sound waves as they strike the ceiling enter the holes where the sound energy is dissipated.

You'll be surprised how little it costs to reduce disturbing noise and increase productive efficiency. Let our acoustical engineers convince you with an estimate...

Fibretone can be readily installed over existing ceilings. It is attractive in appearance, can be painted and repainted, and is designed to meet the most modest budget.

To assure utmost in noise-quieting benefits, J-M Fibretone ceilings are installed *only* by Johns-Manville or by J-M Approved Acoustical Contractors.

You'll be under no obligation to let us answer two executive questions: "What will the job cost?" "How soon can you do it?" For a prompt estimate, write Johns-Manville, Box 290, New York 16, New York.

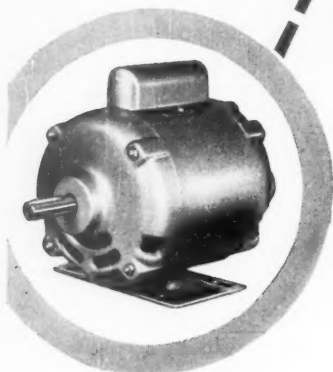
* Reg. U. S. Pat. Off.



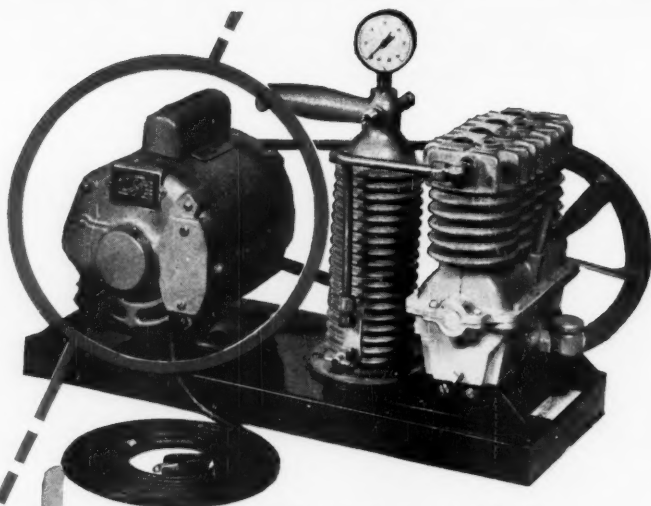
Johns-Manville

Transite® Movable Walls—Terraflex® and Asphalt Tile Floors—Corrugated Transite®—Flexstone® Built-Up Roofs—Acoustical Materials—Etc.

A. O. Smith Builds Electric Motors



Ask the A.O. Smith sales engineer about electric motors for both standard and special uses . . .



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If the power component in your product calls for an electric motor, with the prime requirements economy, compact design, and improved performance, consult the A. O. Smith sales engineer. He offers you the complete facilities of the research and engineering staff at A. O. Smith, to help integrate electric-motor design with your product design. "Pressure Queen" Air Compressor is a typical example of this A. O. Smith service.

PRESSURE QUEEN, product of The Campbell Hausfeld Company, Harrison, Ohio, is a 4-cylinder air compressor with many industrial, garage, farm, and home uses, for blowing, cleaning, painting—all jobs which require no more than 3 cu. ft. of air per minute at 60-lb. working pressure. "Pressure Queens" are thoroughly run in before delivery.

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a story to tell on what Central is doing for the young engineer. Its formula for getting, training, and keeping the engineering graduate boils down to this: Pay the apprentice adequately; improve employer-apprentice relations; provide better chances for advancement; keep down overhiring, and avoid layoffs in lean times; don't move an apprentice around from city to city too much; make him feel he is a part of management from the time he is hired.

III. Railroad Problems

Engineers can help with that old railroad bugbear: operating costs. A. E. Perlman, general manager of The Denver & Rio Grande Western R.R., showed how better utilization of equipment would lower operating costs, cut capital expenditures, increase safety, and improve service.

Perlman said that the character and use of rolling stock influences 50% of a railroad's operating costs. Only three hours of a car day are useful hours; the rest of the time, the car is in a terminal. Class I railroads have a \$5-billion investment in cars. By adding just four minutes of useful time per car day, the railroads can increase effective car inventory by \$100-million. Perlman suggested that engineering, transportation, and mechanical departments get together, set up adequate ways of watching costs, do a better maintenance job, and work with shippers to speed up turnarounds.

He also made a plea for fundamental research by railroad engineers. Such research would work to reduce weight, help eliminate tailor-made specifications that hamstring car production (BW—Apr. 17 '48, p. 62).

Still another way to cut costs was discussed: mechanization of railway freight houses. W. H. Rochrig, system supervisor of the Atchison, Topeka & Santa Fe Ry. told of savings this technique had brought his company.

IV. Belt Conveyors

The proposed "conveyor railroad" in Ohio (BW—Feb. 12 '49, p. 45) has sparked a lot of interest in big belts. Conveyor-belt experts from representative companies in the industry recently put their heads together, came up with some novel ideas on jobs the belts could do. They passed on to the engineers some of the possibilities:

- (1) Across-city belts to cut down intracity traffic;
- (2) Luggage conveyors for hotels and railroads;
- (3) Moving sidewalks, to cut out nuisance rides like New York's Times Square-Grand Central shuttle;
- (4) Ship loaders and unloaders;
- (5) Wider use of huge belt conveyors in ore fields.

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As a good secretary you know it isn't the regular assignments that make a hit with the boss, but rather the little thoughtful things.

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Why not drop your boss a memo? He'll be glad you did... and it will be added proof that you ARE a good secretary.



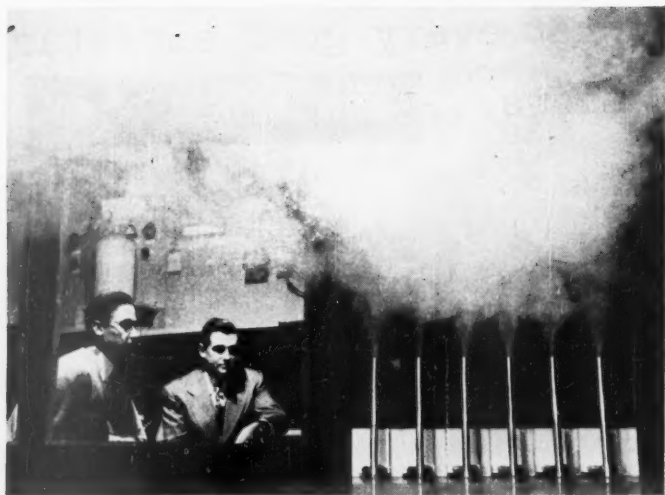
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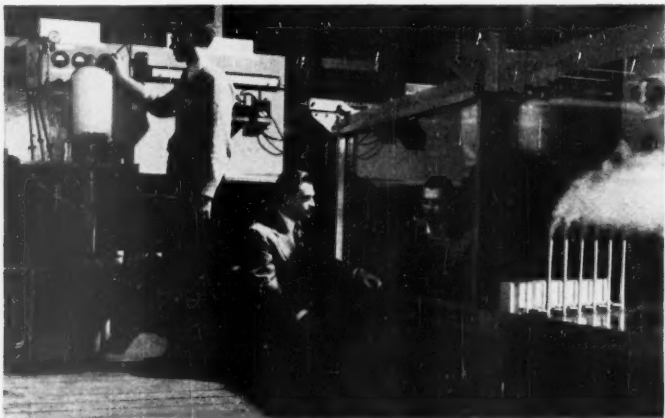


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MODEL SMOKESTACKS in Consolidated Edison's experimental wind tunnel are checked by N. Y. U. scientists trying to solve problems involving invisible fumes and dust. A white mist introduced through the stacks is controlled at . . .



MASTER PANEL which regulates mist density and velocity as well as wind-tunnel velocity. Researchers believe that data obtained from these tests will give valuable standards for stack design and location.

How Smokestacks Stack Up

Now that more and more of industry has put the damper on smoking stacks and chimneys (BW—Sep. 10 '49, p. 52), Consolidated Edison Co. of New York, Inc., is digging deeper into the problem. It's casting an eye on stacks that don't smoke, the harmless looking ones that throw off gases or suspended but invisible dusts not caught by collection equipment.

To give factory stacks a closer look, the New York utility company is using a variation of an old aviation technique, the wind tunnel. Consolidated

has financed the project which will be carried on at New York University's College of Engineering. N.Y.U.'s staff members will handle the research under the direction of Prof. Gordon Strom.

When the program gets into full swing, engineers will be able to study the behavior of model chimneys inside the tunnel.

• **Tunnel Turntable**—The tunnel itself represents a tract of land 2,000 ft. long. Each square inch of tunnel represents 20 ft. of ground surrounding a plant or factory. Smoke stacks and their plants

will be scaled down proportionally before being put inside the tunnel for study. In order to vary wind condition, models are mounted on a turntable that rotates through 360 degrees.

Gases and chemicals coming from real stacks may be invisible, but at N.Y.U. they will be replaced by a dense, white mist with the same properties. The stuff may look like smoke, but the researchers don't like the comparison. They are using it, they say, because it's a good carrying agent for most kinds of suspended material and gives a clear picture of effects of wind direction and patterns on the real thing.

• **White Mist**—The generator for making the white mist is fed with a paraffin-base oil. Oil squirts through electric heaters to vaporize and collect in a bell jar. The vapor is then pressure-fed into the model stacks to simulate the carrying agent. When the program starts on practical problems, the desired suspended matter will be added.

Right now the staff is giving some finishing touches to the installation. Before they can dig into actual research experiments, operating conditions of the tunnel itself have to be just right.

Forced air coming into the tunnel from a blower must be free of turbulence before true-to-life air conditions can be simulated. There is even a chance that heat from nearby radiators and lights will have some effect on the air inside the tunnel. Such stray heat might cause unwanted thermal currents.

• **Objectives**—Engineers have high hopes for success in the project. They aren't trying to study ordinary conditions, but, at the same time, cases like the one at Donora, Pa. (BW—Nov. 22 '48, p. 21), are beyond their aim. They figure that these are too extreme, and too infrequent.

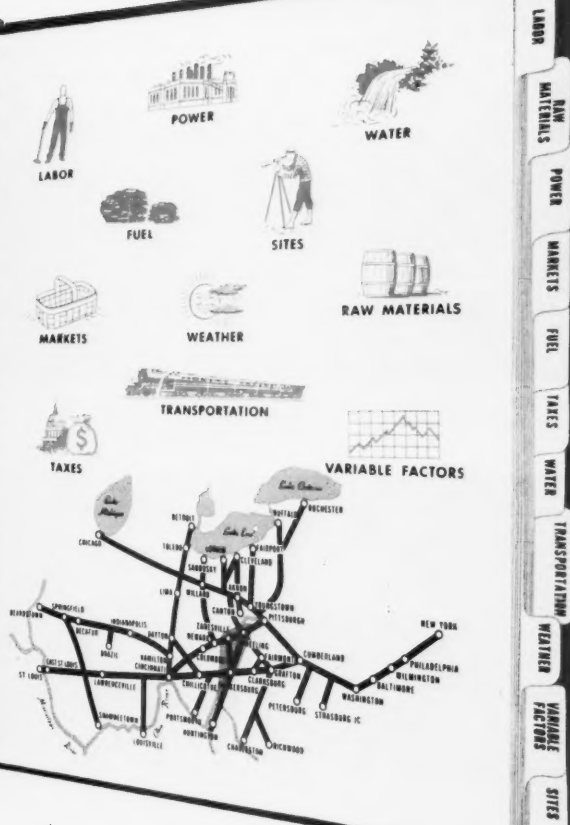
What they want to do is reconstruct extraordinary atmospheric conditions encountered in actual stack operation. Their equipment is designed to vary the density of the carrying agent, its velocity, and velocity of the wind blowing through the tunnel.

Eventually they hope to be able to supply definite answers to practical fume control questions: proper height of stacks, location in relation to prevailing winds and buildings, actual design, and proper operation. But they aren't ready for that yet.

• **Unknowns**—First there are other problems to be solved. Turbulence, temperature, and humidity conditions are still, for the most part, unknowns. Consolidated engineers know that flow patterns of fumes and gases depend upon factors like stack location, prevailing winds, and local terrain, but they don't know exactly how these factors vary the pattern.

There aren't any standardized figures or tables on these subjects to help in

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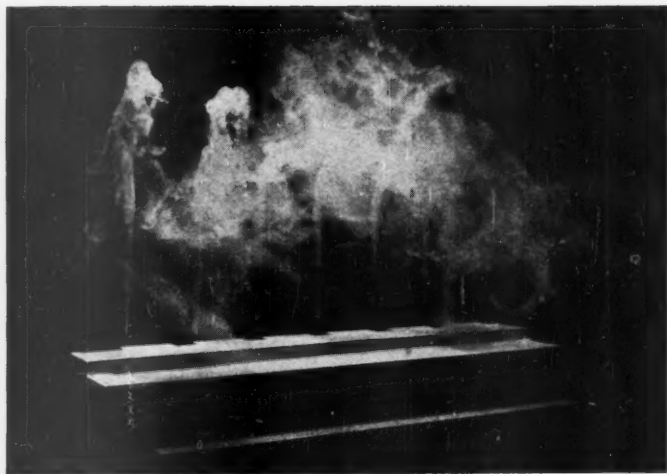
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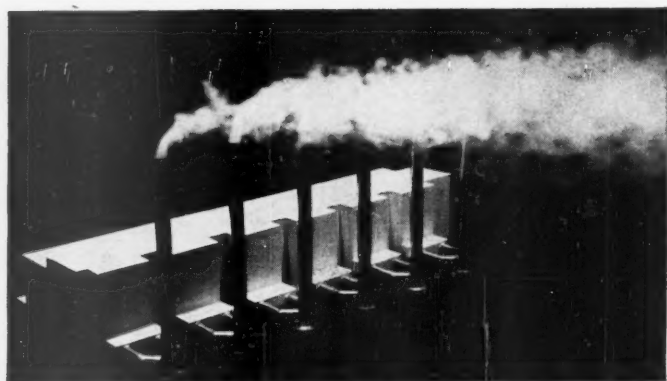


BALTIMORE & OHIO RAILROAD

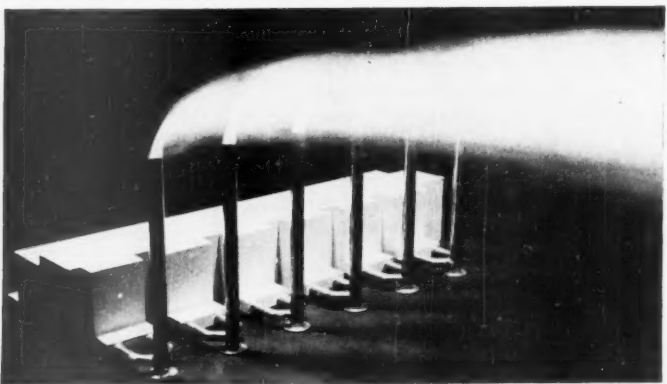
Constantly doing things—better!



ABSENCE OF WIND in tunnel causes mist to hang over building and surrounding ground. But . . .



MODERATE AIR VELOCITY carries mist away from stacks for a considerable distance. And . . .



HIGH AIR SPEED through tunnel results in this extreme condition.

predetermining stack design. Stacks are generally tailored to fit surrounding conditions. After some research at N.Y.U., Consolidated hopes to compile standard tables that will furnish engineers with all necessary data for locating and constructing stacks.

• **Short Stacks?**—The usual procedure is to build stacks as high as possible. But Consolidated Edison and others in the vicinity of large airports have a special problem. Civil Aeronautics Authority regulations limit stack height near airfields. So the N.Y.U. project would like to figure out some method of designing shorter stacks that could do most of the work of tall ones.

PRODUCTION BRIEFS

Shortage of fats and oils for leather tanning has spurred research on new synthetics. The Army Quartermaster Corps has underwritten cost of a development project by Tanner's Council Research Laboratory at the University of Cincinnati.

• **Abrasives from corn cobs** are produced in a new processing plant developed by Wolf Co., Chambersburg, Pa. The abrasives are used in polishing glass and plastics.

• **Autos to kitchens:** Murray Corp. of America, automotive-body builder, will start making home appliances early in 1950. Cooking ranges, metal cabinets, and complete kitchens are planned.

• **Research on high-energy fuel** will be done at a new laboratory being built at Lewis Flight Propulsion Laboratory, Cleveland. Part of the building will house equipment for synthesis of propellants.

• **Standards for baking tins** and measuring utensils have been revamped, the American Standards Assn. says. Manufacturers have agreed to a set of closer tolerances.

• **Specks of 1-millionth in.** diameter are counted on a new instrument designed by General Electric. Application: studies in air pollution and meteorology.

• **Nodular cast iron** (BW—Mar. 5'49, p48) has been under study by the Naval Research Laboratory. The current Technical Reports Newsletter carries a progress report on the project. Write: Office of Technical Services, Dept. of Commerce, Washington 25.

• **A switching center** in Chicago handles 400 Teletype messages an hr. for Carnegie-Illinois Steel. Push buttons control the routing of company-wide traffic.



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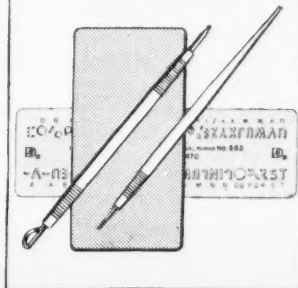
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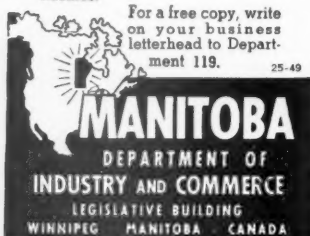
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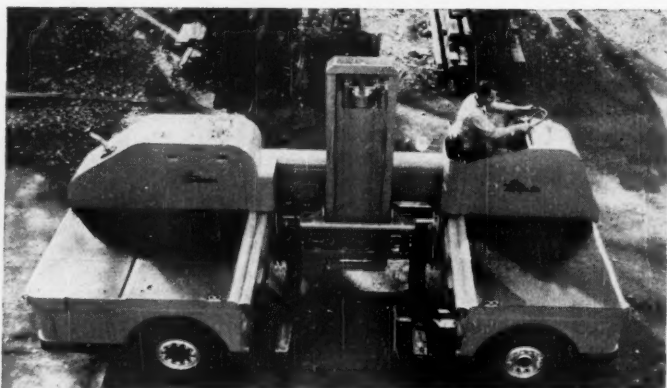
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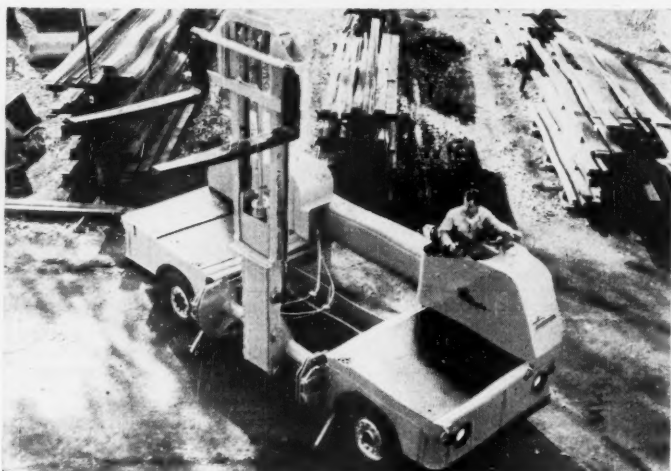
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NEW PRODUCTS



Hydraulic lift on Traveloader slides out to pick up loads of material. To brace truck...



Stabilizer jacks beneath the body are lowered to press against road surface.

With the Greatest of Ease

Utility truck lifts and carries awkward loads; with special attachments it can handle steel coils or assist in laying spooled cable.

To speed the flow of heavy, awkward supplies in materials handling, Lull Mfg. Co. has developed the Traveloader. It looks like a flatbed truck with the middle section cut away and replaced by a hydraulic elevator. The elevator can travel laterally across the truck.

In industrial plants, steel mills, or storage depots, Traveloader performs as a combined motor truck and fork-lift truck. It does most of the work of straddle-buggies, tractors, and yard cranes, but carries its load side-saddle.

• **Attachments Available**—In operation a hydraulic lift-tower slides out 72 in.

to insert its forks under a load. The load is then brought back and deposited on the Traveloader platforms. Weight of the load is said to be distributed equally over the four wheels.

Several special attachments are available for the Traveloader. One is a ram used for picking up, transporting, and stacking steel coils. Another is a special power-operated spindle mounted on the lift tower for picking up spooled cable. The spindle reels in or brakes the spool as needed while cable is laid.

• **Gas or Diesel**—Power for the unit is supplied by one rear-mounted engine,

4 ways to pack a package with sales appeal



A package that makes your product easier to use makes it easier to sell. That's why Continental has gone all-out in designing cans with special features that appeal to both consumers and merchants. Above are four examples of Continental's constant search for packaging refinements and improvements that build sales. Let's look at them, one by one:

- ① The gallon cone-type syrup can has two unusual features. First, the top can be reclosed again and again, which is very handy for the user of syrups. Second, this package can be flush lined with a special inside coating, making it suitable for packing many sensitive types of syrup.
- ② The large frozen food can has a specially designed profile cover for easy stacking.
- ③ The luncheon meat can has a center score that permits key opening right across the middle of the

can body. Mrs. Housewife doesn't have to dig the meat out—a convenience she appreciates.

- ④ The linseed oil can—popularly known as "F" style—is a Continental development. Its larger side panels give better brand name display.

Remember, these are just samples of Continental's search for refinements and improvements in packages. No matter what your product or your problem is, we'd like to talk with you and see if we can't suggest something worthwhile. Continental is big* enough and flexible enough to handle any situation.

*You can't beat Continental as
a dependable source of supply!*

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AUTORS IN PRINCIPAL CITIES

either gasoline or diesel. Power-boosted steering and hydraulic brakes are standard on all but the smallest models. Equipment includes a full lighting system with two adjustable spotlights for night work. Traveloader is available in 10 models and three sizes with 3,000, 10,000, and 30,000-lb. capacities. The company is at 3612 E. 44th St., Minneapolis 6, Minn.

Machinability of Metals Is Tested by Shop Unit

Unless you know something about a particular metal, you can burn out a lot of expensive tools trying to machine it. The M. S. E. Schlesinger Machinability Tester is aimed at avoiding this and other troubles. It provides a means of determining, in advance, machining data on unfamiliar materials.

Two factors must be known before machine speeds, feed rates, and tool life can be determined: (1) cutting resistance and (2) abrasion.

The tester measures cutting resistance with a special tool which penetrates the metal to be worked. Resistance it encounters is measured by the tester and recorded on a dial indicator in lb. per 0.001 sq. in.

Abrasion is tested by a 10-mm. ball held firmly against the material. This ball is in contact with the piece for a given length of time under a known pressure and is later compared with a standard for actual wear.

Once a set of resistance and abrasion standards is set up by the tester, it calculates necessary working data. Once compiled, the data may be kept for future reference, thus avoiding retesting.

CAN MARKER

Bruce Engineering Corp. is making a machine to stamp code markings on cans. It's designed for use in food, beer, oil, and milk plants.

The Bruceway can-marker doesn't require any external power for its operation. Movement of containers along a conveyor line runs the whole works.

The cans or containers rotate a pair of starwheels; these in turn, run the stamping wheel and ink-metering pump. The marker stamps digits in single or multiple rows at speeds up to 600 cans per minute. Ink consumption is about 1 pt. a month compared with the 5 gal. used by conventional marking equipment. Moist or damp cans passing through the marker don't affect the quality of the printing.

The marker can be installed at any convenient point along a conveyor line in about an hour. Bolts fasten flanges on each side of the unit to the conveyor frame. Live-rubber shock mounts pro-

vide automatic height adjustment for uniform printing. The machine takes up 1 cu. ft. of space. Bruce Engineering Corp. is located at 417 Montgomery St., San Francisco 5.

NEW PRODUCTS BRIEFS

A heating system that keeps loads on a truck from freezing to the body is optional equipment on Euclid Road Machinery Co.'s trucks. Heat is piped from the engine's exhaust through side-wall "ducts."

Trial lots of a new solvent—diallylcyanamide—are now available from American Cyanamid Co. The compound will work with most natural and synthetic resins.

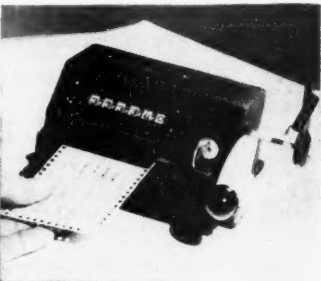
Interchangeable filters have been designed for American Optical Co.'s respirator mask. Each filter protects the worker against a particular kind of air pollution.

Portable dust collectors in capacities ranging from 450 cu. ft. per min. to 1,500 cu. ft. per min., are in production at Kirk & Blum Mfg. Co., Cincinnati.

Air-powered fork trucks are safe for plants where gasoline engines are an explosion hazard. Crescent Truck Co., Lebanon, Pa., makes the trucks in capacities of 2,000 lb. and 3,000 lb.

Changeovers from gas to oil fuels are made by switching interchangeable parts on Iron Fireman's RG series of industrial burners.

Christmas trees soaked in Tregreen won't catch fire, will stay fresh longer. Griffin Bros., Box 4511, Portland 2, Ore., makes the compound.



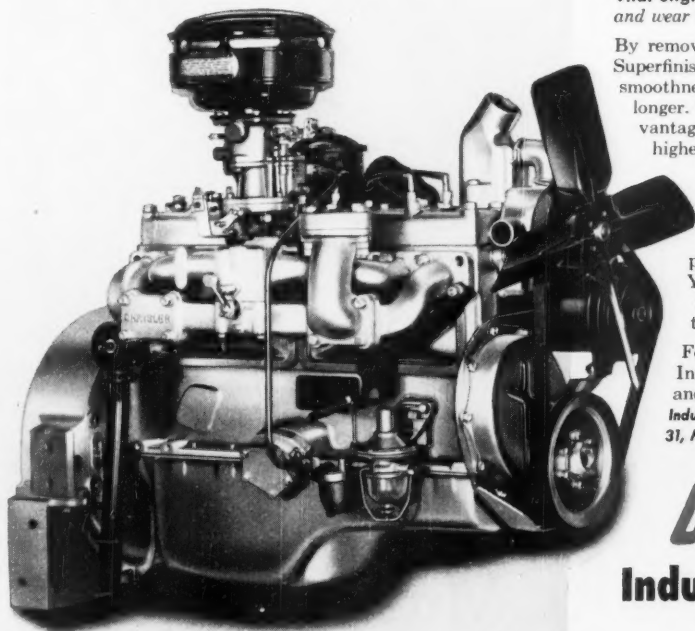
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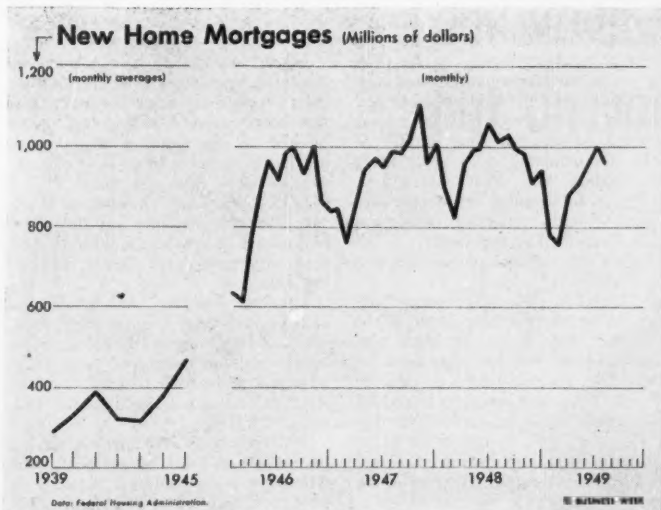
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FINANCE



Plenty of Mortgage Money

Last year's worries have switched to optimism, but money men aren't taking any chances. They still prefer safe loans and charge less for them.

How long is the home-building boom going to last?

That's still any one's guess. But among those who should know you don't hear much pessimism expressed these days.

The Dept. of Commerce, which did such a good job a year ago in its forecast of the 1949 building rate, now expects private residential building in 1950 to drop only about 7% below 1949's record-breaking level (BW-Oct. 15:49,p15).

The feeling in financial and real estate circles is just as optimistic. Roughly the general belief adds up to this: The demand for new homes will continue somewhere in the neighborhood of the 1949 rate for at least two or three more years.

• **Plenty of Money**—In any case, the current housing boom isn't going to expire over the near term because of any lack of mortgage money. In the realty mortgage field no shortage of lendable funds has yet developed despite the amount of money already lent out in the postwar years to finance personal home-building operations (chart, above).

In fact, the mortgage money market has become looser in recent months.

• **No Discrimination**—But the forthcoming ban on FHA and VA loan insur-

ance for property with restrictive covenants means another qualification is being tacked on the list of requirements for federal mortgage insurance. The ruling is based on a Supreme Court decision invalidating recorded covenants restricting ownership of property on the basis of race, creed, or color.

Properties for which covenants have already been recorded will be excluded from regulation. Moreover, public housing developments will not be affected since for the most part such restrictions already have been banned from them. But effects of the ruling on private financing and building cannot be gaged yet. Both FHA and VA are currently drafting regulations, which will be announced within the next couple of months.

• **Survey**—In some sections of the country, a BUSINESS WEEK survey indicates, it probably hasn't been too easy at times this year to get low-rate G.I. loans.

But plenty of them are still coming. In October, the Veterans Administration received almost 40,000 applications for G.I. 4% loan guarantees from lenders. That's the most received since November, 1947, and there has been a steady uptrend since last April.

Big operators in the mortgage field

NEWS!

ABOUT: *Cutting Costs!*
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Easily Formed or
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Does the material you are now using cost too much for you to fabricate your product from it profitably? Then learn the advantages of using Permaclad, the ultra modern Stainless Clad Steel. Permaclad combines the surface characteristics of Stainless Steel with the forming qualities of Carbon Steel. It has excellent cold forming properties. Is readily polished to any desired luster. Shower stalls, deep freeze units and many other products are now being made of Permaclad. It will pay you to get full information about this corrosion resistant, cost saving steel now. Free literature on request. Alan Wood Steel Company, Conshohocken, Penna., Dept. P21.



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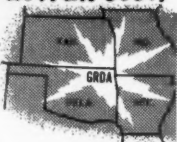
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have been the nation's life insurance companies. The New York Life Insurance Co. recently reported that its home-mortgage loans to veterans alone have totaled some \$108-million during the past three and a half years.

• **Big Lenders**—But the biggest providers of mortgage-money in the post-war period have been building and loan associations. Of the \$8.3-billion of new nonfarm mortgages of \$20,000 or less recorded in the first nine months of 1949, approximately 31% were made by building and loan associations, 20.9% were supplied by commercial banks, 8.6% by insurance companies, 6.3% by mutual savings banks.

Here's the regional picture the survey discloses:

ATLANTA. Mortgage-money appears to be accumulating faster in the Southeast than it can be used. Insured FHA and G.I. mortgage loans are now being granted freely at rates of 4% to 5%; temporary construction loans are available to builders at 3% to 4% rates; rates up to 6% are being charged for noninsured loans.

Plenty of building is going on in the area. Much more is in sight.

CHICAGO. Mortgage-money is available and the outlook indicates a continued good supply for some time ahead. As a result, home buyers have been finding it easier to get more favorable terms than was possible a few months back. Sometimes concessions take the form of a shading of the going interest rate by ¼% or ½%, other times more liberal property appraisals are made.

Banks probably aren't as active lenders as building and loan, mortgage and insurance companies. That's because they are looking for loans based on 50% to 60% of appraisal values while the great bulk of today's home buyers want higher percentage mortgages—75% or more.

Chicago's speculative builders are now mainly confining themselves to homes in the under-\$12,500 price class for which down payments of \$1,500 to \$3,500 are required. And most of them are using fewer FHA-insured mortgages, more VA financing and savings and loan mortgages.

ST. LOUIS. Mortgage-money here is reported in good supply—"unlimited" reports one source. It's expected to continue that way for some time where home loans are "reasonably secured." Loan rates now vary from 3½% for prime risks to 5%, plus a 1% to 2% commission on less desirable loans—those on homes in run-down or declining neighborhoods, or on vacant properties.

On most mortgages, the going rate appears to be near the FHA maximum of 4½%. Recently, however, the rate structure, according to a prominent

banker, has been only "fairly firm."

DALLAS. Lenders report that there is no shortage here of mortgage-money. Rates are running in the 4%-4½% range. And no reputable new-home purchaser, or contractor, is having any trouble getting the money he needs.

Local home buyers have a larger selection of new dwellings to choose from than at any time since the war. But new houses are still selling fast, partly because of the scare given potential purchasers recently when rent controls were removed from the area.

LOS ANGELES. There's no shortage of mortgage-money for individual home loans in Southern California. And local authorities don't see one developing soon.

Lenders, however, are no longer anxious to finance large developments. They are beginning to think that stereotyped dwellings erected on large tracts soon will prove harder to sell than the more individualized single private projects.

Interest rates, where possible, run between 5½% and 6% on personal home mortgages; many lending agencies lately have even been trying to obtain a 6½% rate.

SAN FRANCISCO. In Northern California plenty of mortgage-money is still available. And interest rates this year are holding up well.

Insurance companies are willing to cut their loan rate to 4% for prime risks, but they have been doing the bulk of their business on a 4½% or 5% basis. San Francisco banks are charging 5%. Some smaller out-of-town institutions, however, have been charging 6%; so have many building and loan societies.

• **Debt High**—No estimates are yet available as to the size of the national home-mortgage debt at the close of 1949. But as this year began, it had passed the \$33-billion mark, setting a new record. Home-mortgage debt stood at around \$1,100 per nonfarm family, compared with only \$850 in 1930 when the total reached the predepression peak of \$19.6-billion.

A year ago, there was a lot of talk about the rapid increase in the nation's urban mortgage debt. Many observers thought that the federal government was going too far out on a limb insuring mortgages.

But most of this talk seems to have disappeared this year, even though much of the postwar increase in mortgage debt has resulted from "easy-term" loans covering as much as 100% of the value of homes built at inflationary high costs.

• **Don't Worry**—A more optimistic view of the situation has developed. This group says that even with average mortgage debt at a record peak, when decreased purchasing power is consid-

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cred, average debt was actually 10% lower at the end of 1948 than it was in 1930.

But most lenders are still taking all necessary precautions. Real estate appraisals are being made with allowances for future dips in the market, and most mortgage companies are carefully watching payment collections.

FINANCE BRIEFS

The Midwest Stock Exchange (BW—Oct. 29 '49, p. 87) has opened for business with 409 stocks listed and 358 members. Sales so far have been encouraging.

Retailers' operating margins ain't what they use to be: Sales of R. H. Macy for the October quarter held their own with last year, but earnings dropped 58%; Allied Stores Corp. reported a 39% drop in net income, though sales were off only 2%.

Arizona lost \$1-million on workmen's compensation in 1948, according to a survey by a team of independent actuaries. Their suggestion: a 10% hike in all rates; 100% boosts in those 54 categories where losses have been particularly bad.

Hartford-Connecticut Trust Co., largest nonmember bank in New England, has joined the Federal Reserve System. The bank was the sixth largest nonmember bank in the U. S.

October carloadings were the worst in 30 years. Reason: the steel and coal strikes. Loadings came to some 2.3-million, about a third below last year. Back in the 20's it took the railroads only two weeks to load that many cars.

C.&O. has deferred its year-end dividend—as predicted (BW—Nov. 12 '49, p. 94). Technically, the road merely shifted its dividend dates forward: from January, April, July, October to March, June, September, December. Actual result of the change, though, is that only three dividends will be paid out of 1949 earnings.

Philadelphia's income tax will go up from 1% to 14% on Jan. 1, if the Mayor and the City Council have their way. Possible explanation: The Chamber of Commerce says the city will be \$2-million in the red at the end of the year because the 1% tax failed to bring in enough and the city didn't collect back property taxes. But the chamber is violently opposed to the income-tax boost.

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ZERO HOUR "Buy me 100 shares of American Can at the market," Julius Seligmann, San Antonio financier tells local Bache & Co. customers' man. Buyer knows 100 shares will cost about \$10,000, still doesn't know exactly how much.



30 SECONDS LATER Boy in New York grabs order in Bache's wire room, rushes it to . . .

San Antonio to Wall St.—in One Minute

What happens when a San Antonio businessman orders his broker to buy 100 shares of American Can common at the market.



45 SECONDS Order desk in wire room. Order clerk phones order—"100 AC at market"—to Bache booth on the floor of the New York Stock Exchange (Bache, like other brokers, also has booth on curb exchange). On floor . . .



1 MINUTE Clerk scribbles on pad, signals for Bache broker somewhere on floor (TURN TO PAGE 80)



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STOCK SALE (continued from page 78)



4 MINUTES

Partner in Bache & Co.—who has seat on exchange and therefore is permitted to do business on the floor—takes order from clerk.



5 MINUTES

In crowd at post where American Can is traded, broker shouts, "How's Can?" Answer: 100 bid, 100½ asked. "I'll bid 100½," he calls, is snapped up by Loeb Rhoades broker with a sell order. It's a verbal contract; "Bought from Loeb Rhoades, 100½," noted on order, is only writing. Price is sent to San Antonio.



6 DAYS

Transfer agent for American Can, Bankers Trust Co., makes out new stock certificate.



7 DAYS

San Antonio buyer's name (or broker's name) is inscribed on American Can stock record book.



8 DAYS Bache & Co. runner picks up certificate at Bankers Trust. It will be sent to Seligmann in San Antonio by registered mail, completing a . . .

Fast Transaction

Security dealings anywhere in the country move with telegraphic speed, rely heavily on purely verbal contracts.

Nearly every businessman knows something about the financial side of the securities business; he trades in stocks; he has as good an idea as the next man of what makes the value of his shares go up or down. But few outside the industry know much about the intricate mechanism which is set in motion by a casual buy order.

• **Speed**—One major way that the securities industry serves businessmen is through the facilities it offers them for investing or trading in common stocks. The outstanding features of these facilities are their speed and reliance on verbal rather than written contracts.

Seligmann's order for American Can was a simple one. It was handled entirely by a commission broker, the only type who deals direct with the public. When on the floor of an exchange, this broker deals only in "round lots" (multiples of 100 shares). If Seligmann's order had been for 50 shares, or 150, the Bache broker would have handed over an order to buy 50 shares to an "odd-lot" broker.

Another type of broker, the "specialist," concentrates on a single stock. If Seligmann's order had been "limited"—"Buy American when it drops to 98"—the Bache broker would have handed it to an American Can specialist.

Skyscrapers grow on Railroad Sidings

Steel for a skyscraper starts a long way from the site of the building—in ore pits, in mines and quarries, on railroad cars. The skyscraper itself begins to take shape on the railroad siding of a fabricating plant, as each numbered piece of steel is loaded on cars for delivery at the building site in its proper order for use.

This is but one example of the services of railroads—the one form of transportation which stands ready to move *anything* movable, for any shipper, in any quantity, in any season of the year, and anywhere the rails run.

This true common carrier service of the railroads is basic to our American economy—to our daily lives. To improve their service, the railroads have spent, just since the end of the war, nearly four billion dollars for new cars and locomotives, and for improvements to the highways of steel on which the trains run.

The more freight that is moved over these highways of steel, the lower will be the true cost of transportation—and the less will be the strain, burden, and congestion on the public highways.



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Texmass Rescued

Merger with Petroleum Reserve, RFC loan, new leases, pull oil company out of embarrassing predicament.

A Wichita (Kan.) banker has put together a \$42-million oil company out of bits and pieces. Basis for the deal is a \$10.1-million loan from Reconstruction Finance Corp., plus \$5-million from commercial banks. That's probably the biggest RFC loan ever made to an oil producer.

The banker is Arthur W. Kincade, president of the Fourth National Bank, in Wichita.

• **Help for Texmass**—Although every southwestern banker knows something about oil finance, Kincade is by way of being an expert on the subject. That's why Texmass Petroleum Corp., of Dallas, came to him for help.

Texmass was committed to drill about 130 wells on land it leases. If it didn't make the drillings within specified time limits, it would lose its lease rights. Texmass didn't want that, but it didn't have the money to finance drillings.

Furthermore, although Texmass isn't saying, oil men believe that some of its properties are heavily mortgaged to insurance companies.

Texmass called on banker Kincade. Although RFC had never given oil producers any long-term financing, Kincade thought Texmass would stand a good chance of an RFC loan if it were larger.

• **New Company**—So he worked out a plan for a new company, Texas Consolidated Oils, Inc., and talked to oil executives of other companies. Under his plan, if RFC would approve a loan, Texmass and another Dallas oil producer, Petroleum Reserve Corp., would merge into Texcon. The new company would round out its oil fields by acquiring leases held by several other oil producers, in return for Texcon stock.

Texcon would acquire leases from Midway Oils, Inc., Topeka, Kan.; Swiss Oil Co., Dallas; and National Co-Operative Refinery Assn., a producer co-op with headquarters in McPherson, Kan. Presumably Kincade was able to convince them that some of their holdings would produce more if operated in conjunction with properties held on Texmass and Petroleum Reserve.

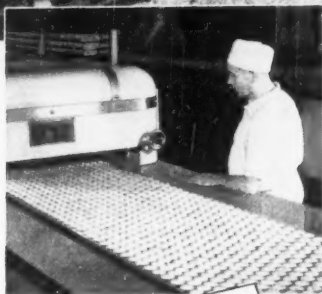
• **30% for Kincade**—Now that the deal is completed, Texcon will have about 500 wells, scattered through Texas, Oklahoma, New Mexico, Kansas, California, and Louisiana. Kincade will become chairman of the board, while continuing as president of Fourth National. And in return for his services, he'll get 30% of Texcon stock.

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THE MARKETS



Dow Boosters Say It's a Bull

You may not want to call it a bull market yet. But there is no doubt that stocks were doing better this week than they have at any time since they fell out of bed in 1946.

As far as the Dow Theory goes, it is a bull market. The Dow-Jones industrials have finally nudged their way through their old high of 193.16. (That

was the peak of last year's unhappy pre-election rally.) At 194.74, the industrials have scored the penetration that the Dow theorists demand for a bull signal.

• **Rails Confirm**—The rails have confirmed by pushing up to 50.76. Their resistance point was 49.60, established at the top of a brief rally last March. The rail average is still about three points short of its 1949 high, which was made last January. That may prove to be another resistance level. But most chart readers think 49.60 was the payoff point.

The market's performance begins to look fairly impressive if you remember that at this time of the year tax selling is likely to push the averages into a temporary dip.

The market was doing things the hard way when it picked this particular time to make its test of the old resistance levels. And the fact that the test

Security Price Averages

	This Week	Month	Year
Stocks	Week	Jan.	Jan.
Industrial	160.9	157.0	158.5
Railroad	40.7	38.7	39.8
Utility	80.4	79.8	79.9
Bonds			
Industrial	100.5	100.8	99.9
Railroad	81.3	80.5	80.8
Utility	99.8	99.8	99.4

Data: Standard & Poor's Corp.

succeeded shows that there is a lot of drive behind the rally.

• **Traders Cautious**—In spite of all these bullish signs, you will find that most Wall Streeters still have their fingers crossed. In 1948, when the market gave a bull signal, traders promptly began whopping about "objectives" of 250 or more on the Dow-Jones industrials. You don't hear any of that talk now. Most of the Street will be fairly well satisfied if the market just manages to hold its own for a while.

One reason for this caution is the old business of the burnt child dreading fire. Again and again in the past three years, traders who took the Dow Theory too literally have been badly singed. That happened in the 1948 rally. It

happened again when the averages gave an indisputable bear signal last June—just before the current rally began.

• **No Follow-Through**—Experiences like these have gradually persuaded a lot of traders that the penetration of a "critical" point doesn't mean much by itself. It's the sustained trend that counts. And in the current market, there hasn't yet been any promise of a follow-through on the rally that pushed the averages through the resistance points.

Besides that, traders want to see how next year's business situation shapes up before they start betting on a new boom in stocks. The market is taking a pretty cheerful view of business prospects. But next year's profits aren't in the bag by a long way.

Preferred Stocks Climb Sedately

Blue-chip preferred stocks have been sharing in the general rise of security prices. But they're doing it sedately, in keeping with their traditional role as conservative investments.

Standard & Poor's weekly index of preferred stocks, as of the Nov. 30 close, was up from the 1949 low, but only 6.2%, while the S.&P. index of 365 industrial common stocks was up 17.4%.

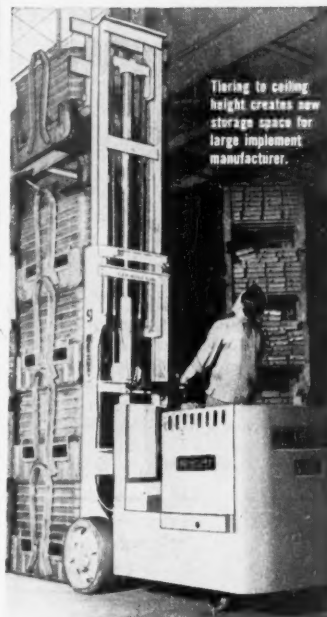
Even though the preferreds haven't climbed so far as the industrials during 1949, they are closer to their postwar high of 1946. Preferreds were more conservatively priced than industrials in the 1946 bull market; they suffered less in the 1946-1949 bear market. The S.&P. preferred index is now 12.6% below the postwar high. The industrial index is 16.9% below.

Stock Group	1946 High	1949 Low	Dec. 2 1949	Dec. 2, 1949 —compared with—	
				1946 High	1949 Low
Standard & Poor's Weekly Index of Preferred Stocks.....	\$205.3	\$169.1	\$179.5*	-12.6%	+ 6.2%
American Can 7%.....	210.50	172.50	184.00	-12.6	+ 6.7
American Car & Poultry 7%.....	132.50	60.00	68.75	-48.1	+14.6
American Smelting & Refining 7%.....	191.00	142.00	155.00	-18.8	+ 9.2
American Sugar 7%.....	158.00	110.13	128.00	-19.0	+16.2
American Tobacco 6%.....	174.00	135.00	151.50	-12.9	+12.2
Atchison, Topeka & Santa Fe 5%.....	125.00	97.50	103.75	-17.0	+ 6.4
Atlantic Refining 3 3/4%.....	110.00	93.50	98.25	-10.7	+ 5.1
Bethlehem Steel 7%.....	168.00	129.50	134.50	-19.9	+ 3.9
Colgate-Palmolive-Peet 3.50%.....	110.00	89.00	97.00	-11.8	+ 9.0
Corn Products Refining 7%.....	210.25	171.50	180.75	-14.0	+ 5.4
Crown Zellerbach 4%.....	150.00	90.00	97.00†	-35.3	+ 7.8
Dow Chemical 4%.....	118.00	101.88	107.00	- 9.3	+ 5.0
Eastman Kodak 6%.....	209.00	164.00	186.00	-11.0	+13.4
Pirestone Tire & Rubber 4 1/2%.....	109.50	105.00	106.25	- 3.0	+ 1.2
International Harvester 7%.....	202.00	164.50	177.50	-12.2	+ 7.9
Island Creek Coal 3%.....	163.00	136.50	143.00	-12.3	+ 4.8
Johns-Manville 3 1/2%.....	153.00	101.00	117.00	-23.5	+15.8
Liggett & Myers 7%.....	210.50	170.00	181.00	-14.0	+ 6.5
R. H. Macy 4 1/2%.....	111.13	95.50	99.75	-10.2	+ 4.5
Monsanto Chemical 3.25%.....	135.50	101.63	109.50	-19.2	+ 7.7
National Biscuit 7%.....	205.25	170.25	179.50	-12.5	+ 5.4
National Lead 7%.....	207.00	169.50	178.00	-14.0	+ 5.0
Republic Steel 6%.....	118.00	91.50	108.00	- 8.5	+18.0
R. J. Reynolds Tobacco 3.60%.....	108.75	85.25	94.50	-13.1	+10.9
E. R. Squibb 4%.....	116.00	100.00	105.00	- 9.5	+ 5.0
Standard Brands 3.50%.....	101.25	82.00	87.50	-13.6	+ 6.7
Sylvania Electric 4%.....	109.50	76.50	79.50	-27.4	+ 3.9
Union Pacific 2%.....	120.25	48.00	50.50	-58.0	+ 5.2
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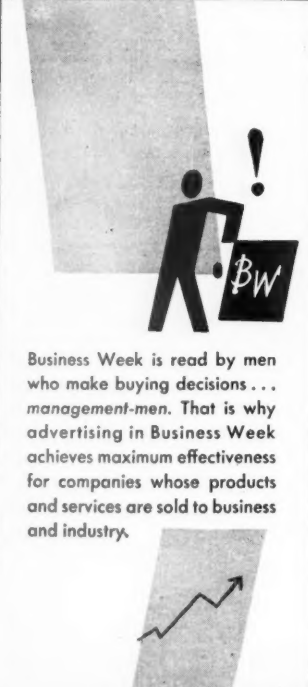


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LABOR



AN OLD DISCIPLE, AND A NEW ONE for profit sharing: H. C. Nicholas (left), is a longtime advocate. Addition of C.I.O.'s George Baldanzi (right) means . . .

Labor Man for Profit Sharing

C.I.O. textile union leader breaks with labor tradition, advocates plans for industry. But most unions will still have to be convinced before they buy.

An old idea—profit sharing—may ease a new demand, for employer-financed pensions. That is what many management people are thinking. A profit-sharing plan acceptable to labor might head off some pension drives. Or pension funds themselves might be financed flexibly as a share of profits instead of as a contractual unvarying cost.

An unexpected conversion to the profit-sharing idea gave that sort of thinking a major boost last week.

• **Surprise**—The new profit-sharing advocate is a top-drawer C.I.O. official, George Baldanzi. He is executive vice-president of the textile workers' union and he is also director of C.I.O.'s southern organizing drive.

Baldanzi has never been known in the textile industry as a "soft" man with management; he's considered a tough bargainer, out to get all that he can for his membership. That made it impressive last week when Baldanzi joined 400 management men for a meeting of the Council of Profit-Sharing Industries.

The council is a national nonprofit organization of companies that have or plan profit-sharing programs. Last week's session was the council's biggest since its formation in 1947, and Baldanzi's presence—and his support of profit shar-

ing—also made it the most important.

• **Union Opposition**—Profit sharing has a long history, but has never had a spectacular growth. More than a generation ago, it did get to be a big thing, but not for long. Its decline, initiated by the depression, was accelerated by the rise of unionism.

Organized labor developed an early distrust of profit-sharing, calling it paternalistic and anti-union. But now, many union leaders are no longer flatly against the idea. Whether they will accept a profit-sharing plan depends largely on what it provides and how it works.

They must be convinced (1) that there aren't any speedup "gimmicks" in the plan; and (2) that it isn't a threat to fixed wage rates—that companies will still pay the prevailing rate for the industry and area.

• **Weak Industry Aid**—But Baldanzi's support of the principle is important now. It recognizes that, in an unstable industry like textiles, an employer may be able to provide more benefits for employees if he doesn't saddle himself with higher wages or fixed costs such as pensions.

• **Growth**—The Council of Profit-Sharing Industries, with headquarters in Akron, now lists 155 members—most of

them companies with years of experience in profit sharing. They do a \$3.5-billion annual business with a payroll of about 240,000. About 30% of them have contracts with unions.

This membership represents a substantial growth in the past year; in 1948, the council reported only 90 members with 90,000 employees.

The increase in membership this year isn't the only reflection of what the council calls a "growing interest in profit sharing." This interest is shown more by the increasing number of inquiries about profit sharing received in the Akron offices.

Many of these inquiries, particularly from small concerns, express concern about two important factors in employer-paid pension plans:

(1) They aren't flexible. Management can't back down on pension financing if business turns sour. It's a fixed labor cost.

(2) They aren't tied to productivity in any way. So far, there's no evidence that employees generally are turning out any more production under pension plans than without them.

• **A Pension Substitute**—Profit-sharing companies argue that they have an economically sound substitute for employer-financed pensions. Their plans are flexible, says the council, since they call for payments only when the employer shows a profit.

And the profit-sharing system provides for labor-management cooperation—the more profitable production in the plant, the more hard cash for workers.

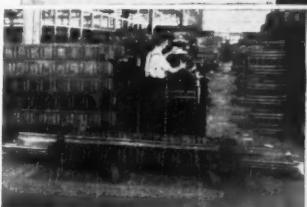
This can be a payment in cash, in credits toward retirement pay, or in a combination of these two. About 85 different types of plans, based on these three basic systems, are in use by members of the council. Many have weathered two decades of good and bad times.

• **Advantages**—Why did these companies turn to profit sharing? Many frankly admit that dollar-and-cents factors led to their decisions—they found that profit sharing gave workers a new incentive to produce, and so management netted even more in earnings. Others cited a variety of reasons that simmer down to this: Profit-sharing is hard to beat as a weapon against socialism.

Do they find it effective? J. B. Meier, executive secretary of the council since the first of the year, reports that only one profit-sharing company in the council has had a work stoppage for any reason in the last two years. And council members, he says, "rate workers on profit sharing as the most highly efficient and cooperative in the country."

• **Pitfalls**—But profit sharing is not without its pitfalls. Most firms warn that (1) a plan, to be successful, should include all workers, and (2) it should be "a real, honestly conceived plan [in which] the percentage of earnings to be

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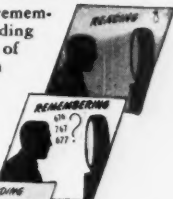
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distributed must be known and guaranteed at the start of a year."

Some go even further; they warn that to be 100% successful, a plan should give employees a feeling of sharing in management functions, too. One of the council's main advocates of this principle is McCormick & Co., Baltimore tea and spice house (BW-Jun.11'49, p82).

• **Heads Drive**—The council has begun a large-scale campaign to sell its ideas to both management and labor. At its recent convention, the organization reelected as head of its drive a pioneer advocate of profit-sharing systems, H. C. Nicholas (picture, page 86), president of Quality Castings Co., chairman and a founder of the council in 1947 (BW-Feb.19'49, p111).

Closed-Shop Hints

Supreme Court sustains state open-shop law; upholds validity of pre-Taft-Hartley closed-shop contracts.

Employers and unions have been looking to the Supreme Court for a guiding decision on an important question: Can the government ban closed-shop contracts without violating the rights of workers?

• **Two Cases**—This week the high court ruled on two closed-shop appeals from lower courts in Arkansas and California. Neither decision is a clean-cut ruling on the status of the closed shop under the Taft-Hartley law—which prohibits discrimination in hiring because of membership or nonmembership in a union. But both are important as new clues to the Supreme Court's present way of thinking on the closed-shop.

The two new decisions:

• Sustained the constitutionality of the Arkansas "right to work" law.

• Sustained the legality of a pre-Taft-Hartley closed shop. The court upset a National Labor Relations Board finding that a California employer with a pre-Taft-Hartley closed-shop contract with one union committed an unfair labor practice when he fired workers trying to organize a rival union.

Of the two, the Arkansas decision is potentially the more important. It continues a series of 1949 decisions upholding state labor laws.

• **Force and Violence**—The Arkansas case involved the conviction and sentencing of two strikers in North Little Rock after a strike disorder. The men were charged with using force and violence to keep a nonstriker from his job at a struck plant of the Southern Cotton Oil Co. Arkansas' "right to work" law bars (1) using force, violence,

or threats to keep another from engaging in any lawful occupation; and (2) either engaging in "unlawful assemblage" to keep another from his job, or promoting, encouraging, or aiding in unlawful assembly.

Lawyers for the C.I.O. attacked the constitutionality of the law; they said it was an infringement on the right of free assembly. By unanimous decision, the high court rejected this argument.

• **Ruling**—It held that "it is no abridgment of free speech or assembly for the criminal sanctions of the state to fasten themselves upon one who has actively and consciously assisted" in unlawful assembly.

And it concluded that the Arkansas law "fairly apprises men of ordinary intelligence that for two or more to assemble and by force or violence prevent another from engaging in any lawful vocation constitutes an unlawful assembly, and that the promotion, encouragement, or aiding thereof is unlawful."

• **1949 Decisions**—In other decisions this year involving state laws, the court: UPHOLD Nebraska, North Carolina, and Arizona anti-closed-shop laws.

RULED that a Missouri antitrust law is applicable to labor unions, and held that peaceful picketing by a union can be controlled by Missouri law. SUSTAINED the Wisconsin Employment Peace Act's curbs on wildcat stoppages, intermittent slowdowns, and meetings during working hours.

DECIDED that a Wisconsin requirement of a two-thirds vote for a union-shop contract has precedence over the T-H requirement—a simple majority vote.

• **In the Works**—Four state-law contests are pending. One is a C.I.O. challenge of a Michigan law requiring strike-authorization polls before a walk-out. In another, C.I.O. asks for a test of an Idaho curb on secondary boycotts. The third involves a test of the compulsory-arbitration provision in Wisconsin's strike-control law. And the fourth, brought by A.F.L.'s teamsters, challenges Florida's picketing law.

• **California Case**—The Supreme Court ruling against NLRB dismissed an order requiring the Colgate-Palmolive-Peet Co. to reinstate 37 discharged employees with back pay.

The reversal of NLRB is academic under the T-H law—which specifically forbids an employer to dismiss a worker for loss of union membership, unless it is for failure to pay dues.

• **Praise**—But one provision in the decision—written by freshman Justice Sherman Minton—made both foes and advocates of the closed shop perk up their cars. The decision praises the closed shop for protecting the integrity of unions and stable labor relations.

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Have you heard the one about the two bricklayers? Asked what they were doing, one replied: "Layin' brick." Said the other: "I'm building a cathedral."

• **The End Product**—Robert E. Gross, president of Lockheed Aircraft Corp., knew the story, like most men who've ever had anything to do with employee morale. And it troubled him. How many of the 15,000 Lockheed employees at the big Burbank (Calif.) plants were just "layin' brick"? How many visualized the sleek end-product they were all helping to create?

Gross and his brother, Courtland Gross, general manager, called for a check, confirmed what they had feared.

Many Lockheed employees—and some minor executives as well—had never been off the ground!

• **Free Flights**—This situation is being changed—fast. Lockheed got in touch with Trans World Airline, which flies 42 Constellations. TWA agreed to let Lockheed use idle Connies for flight indoctrination of Lockheed employees.

Lockheed has been averaging five half-hour, 150-mile flights a day, with 50 employees carried on each trip. During each flight the passengers are taken through the ship; they even visit the pilot's compartment.

Cost to Lockheed averages \$2 a person, not including time and production lost through absence from the job.

In explaining the free flights, Bob

Gross tells employees: "I believe it will give you a sense of pride to fly in as well as help build the Constellation."

• **Training**—Lockheed is striving to give all hands the "building a cathedral" viewpoint as rapidly as possible. The free flights are only one step. In addition there are 19 training programs now—and there will be more next year.

Largest is the course in engineering quality control, which this year will have brought 1,400 employees into meetings with their department heads and supervisors. These meetings help straighten out both individual and project kinks. A flood of employee suggestions for betterment of products and processes has been an unexpected dividend.

About 250 people are enrolled for supervisory training in the manufacturing division. This provides two weeks' full-time instruction for supervisors—on company functions, on human relations, and on conference leadership. A similar course is given for 176 members of the engineering management division.

• **Future Executives**—Newest—and longest—is an intensive two-year executive-training course for eight promising young Lockheed employees who are to learn something of all phases of the company's operations. The goal: to provide a reserve of qualified executives for the future.

The first two men tabbed for this opportunity were Michael Cramer, as-

sistant to the works manager, and L. M. Purcell, production-control manager. Each four months two more young men will begin the course, which will include assignment to outside study at colleges such as Harvard's Graduate School of Business Administration.

The trainees will be spotted in key supervisory and administrative positions in each field in which they are not adequately experienced. This work will be supplemented by special study, reading courses, and visits to other factories.

Other employees may enroll in correspondence courses, such as those of La Salle Extension and Alexander Hamilton Institutes. They are helped to complete their work by advisers from the plant's large training unit, which is headed by Joseph Schwartz.

• **Success**—Schwartz, like Bob Gross, knows a Constellation isn't a cathedral. But he is convinced that the proportion of Lockheed employees "layin' brick" is falling fast.

Court Pokes Loophole In Arbitration Awards

"Final and binding" arbitration awards aren't always either final or binding, the Supreme Court ruled this week. Your union contract may specify binding arbitration; but any nonunion workers in your shop are still free to challenge an award—if they have had no voice in picking the arbitrator.

• **Airline Pilots**—The case before the high court involved the seniority status of two Capital Airlines pilots. The company laid them off when it cut flying personnel at the beginning of the war. The two men went immediately into the Air Forces. The company rehired the two pilots in 1945, later promoted them to captains on the basis of seniority dating back to the day they were first employed.

The bargaining agent for Capital's flight officers—the Air Line Pilots' Assn. (A.F.L.)—protested in behalf of union pilots with longer unbroken seniority. The dispute went to arbitration under the contract, with company and union each choosing two arbitrators.

• **Original Ruling**—The board ruled for the union: that the nonunion pilots' seniority should date back only to the day they were rehired, in 1945. The losers took the case to court.

They lost the first legal round, then won in the Circuit Court of Appeals. It held, and the Supreme Court agrees: (1) that nonunion employees must be given a chance to help pick arbitrators if they are to be bound by an arbitration award; and (2) that the arbitration board in this case was wrong in not giving the nonunion pilots seniority for the full time worked for the airline.

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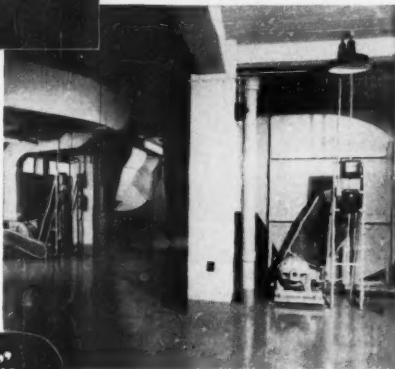
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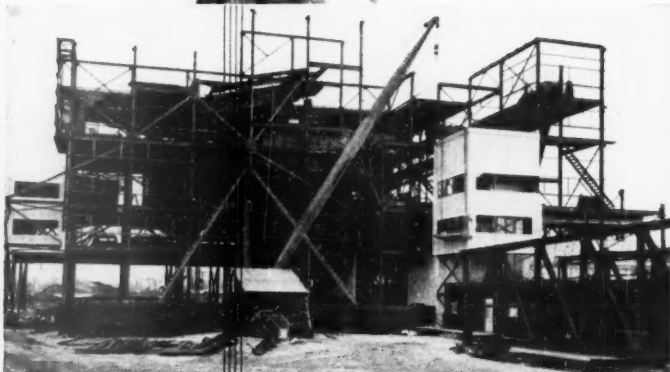
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In the Board's Lap

Trial examiner bans West Coast hiring halls—companies, union give warnings of "chaos" on docks if halls go.

When Congress recessed last October, a Senate subcommittee had before it a bill to exempt maritime hiring halls from the Taft-Hartley ban on closed shops (BW-Mar.19'49,p.110).

This week, pressure appeared to be building up for quick action when Congress reconvenes. It stems from a new National Labor Relations Board ruling that hiring halls are illegal.

Irving Rogosin, an NLRB trial examiner, held that a Pacific Coast longshoremen's hiring-hall system is illegal because it discriminates against non-union jobseekers. In so ruling, he brushed aside a record of warnings by employers and unions that any final order upsetting hiring halls would lead to "chaos" on the docks.

• **Appeal**—The case will be appealed to NLRB—which already has held that hiring halls are illegal in a Great Lakes case. That decision was sustained last July 1 by the Second Circuit Court of Appeals. The National Maritime Union (C.I.O.) has asked the U. S. Supreme Court to review the case.

The West Coast decision affects 12,000 longshoremen—members of the International Longshoremen's & Warehousemen's Union (C.I.O.)—in San Francisco, Los Angeles, Portland, and Seattle.

• **Settlement**—I.L.W.U. struck for 97 days last year for contracts continuing its hiring halls in West Coast ports. It wound up with a token victory on the halls issue. Employers bargaining through the Pacific Waterfront Employers' Assn. agreed to employ through hiring halls unless they are ruled out by a court of final jurisdiction.

Before the settlement, employers filed charges with NLRB against the union demand. They alleged the union was pressing illegally for a form of hiring barred under T.H. After the strike ended, the employers' group asked for dismissal of its charges against I.L.W.U.

• **Expediency Charged**—NLRB trial examiner Rogosin refused to drop the charge, deciding the request was "obviously based on reason of expediency."

"Administrative agencies," he said, "cannot permit their determinations to be influenced by tacit threats of strikes or other forms of reprisals, or by considerations of expediency."

He then ruled that union hiring halls: Are legal if they operate without discrimination against nonunion jobseekers; that is, if operation of the hiring

hall, registration of jobseekers, selection of the hall dispatcher (who assigns men to jobs), and the actual assignment to jobs is impartial.

Are illegal it—as in the case of West Coast hiring halls—the union runs the hall to keep a tight control over hiring, and freezes out nonunion jobseekers from employment opportunities.

Rogovin recommended that NLRB require I.L.W.U. to stop "discriminatory" hiring practices. But since Great Lakes hiring halls are still operating, despite an adverse ruling from the board, the new move isn't expected to close West Coast halls. A showdown isn't likely, in either case, until the Supreme Court acts.

It's Christmas Again— And Bonuses as Usual

Management fiscal officers in a lot of companies are busy these days giving an official pre-Christmas assist to Santa Claus. It's the season for giving year-end bonus checks to employees.

This week, the National Foremen's Institute, a business research organization, took a look at management's bonus policies for 1949. It got replies from 262 employers to a series of questions on year-end bonus plans. About half reported that they intend to distribute checks to employees.

Other findings:

(1) Little change is likely in amounts to be given this year, in comparison with last year's checks. Two-thirds of 135 bonus-paying companies plan to pay the same amount given in 1948. Most of the others said they're upping the bonus this year.

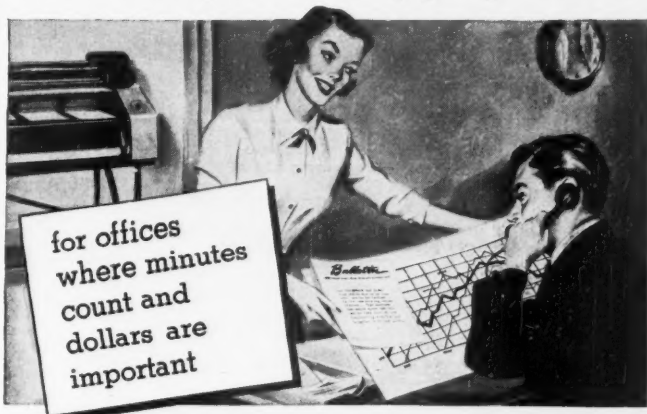
(2) More and more production workers are being cut in on bonus payments. N.F.I. reported 75% of those firms that give bonuses will make payments this year to both salaried and production workers. But as a rule, the bonuses for salaried workers will run slightly higher than those for hourly-paid workers.

(3) Most bonuses now are figured on an employee's rate of pay—either as a percentage of earnings for the year or as an extra week's pay. Flat-sum payments are next in popularity, reports N.F.I. In most cases, the amount under this arrangement is bigger for employees with more time on the job.

(4) Christmas presents, as a substitute for bonuses, have just about faded out of the picture. The Christmas turkey is getting the ax from management. Employees prefer cash.

(5) Some companies grant Christmas bonuses to employees who have done especially good jobs during the year. Usually, these payments are handed out to executives and sub-executives.

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South



Carolina

Pattern of Its Own

Continental Can pact deviates from 1949 pattern: It gives pensions plus pay hikes. Both sides pledge cooperation.

Continental Can Co. and C.I.O.'s United Steelworkers last week signed a contract that's notable, in 1949, for two things: It departs from pattern settlements by giving a 5¢ wage hike—besides pension and insurance benefits; and it was negotiated without a strike.

The new pact covers 10,000 workers in 24 plants. It is the first master agreement for Continental and the steel union; in the past, the 24 plants operated under separate contracts.

The agreement includes other employee benefits, among them an increase in the shift differential to a minimum of 8¢ an hour, and liberalization of the present noncontributory insurance plan.

• **Experiment**—In this contract Continental Can has been considerably more generous with its unions than most companies negotiating this year. The terms of the contract make it evident that this represents a definite bid for cooperation between union and management. This shows up in such clauses as a union promise of "full support in reducing absenteeism and tardiness" (very important because assembly-line operations are vulnerable to tie-ups whenever key men are away).

The contract, furthermore, specifically pledges cooperation based on two principles: the right of employees to join a union, and the right of the company to manage its business.

In announcing the new contract, Continental and the steelworkers said, in a joint statement, that they had agreed on certain long-range objectives toward which they would work. They did not say what the objectives were.

• **Pension Plan**—A new pension plan, financed entirely by management, will provide a minimum pension of \$100 a month (including social security) to workers retiring at age 65 with 25 years' service. Those who retire at 65 with less than 25 years' service—but at least 15 years—will get proportionate amounts. And employees totally disabled after 15 years' service become eligible for pensions, regardless of age.

The Pictures—Eastern—101 (top); European—104; Harris & Ewing—26 (top rt.); Wide World—21, 26 (top lt.), 101 (bot.); Dick Walters—64, 66, 68, 78, 80, 81 (rt.), 95.



ROBERT NATHAN has twice stirred controversies with his economic studies during steel contract bargaining. This week his Robert R. Nathan Associates, Inc., in Washington, is setting up a Labor Division to help unions in other industries.

Colosseum Convenes, Salesmen Get Raise

The Colosseum of Motion Picture Salesmen last week ratified a new 18-month labor contract with nine major motion-picture distributors. It gives salesmen in "loges" (locals) across the country a \$10-a-week raise, retroactive to Oct. 16 when their last contract ran out.

Few outside the motion-picture industry have ever heard of the Colosseum. But it's a full-fledged union, certified by the National Labor Relations Board to do business with companies that distribute motion-picture films nationally.

The Colosseum organizing drive began three years ago. At its annual convention in Kansas City last week, the union reported 1,030 members in loges in 32 major film exchanges.

The new contract was ratified with nine distributors—Paramount, Metro-Goldwyn-Mayer, RKO, Twentieth Century Fox, Warner Bros., Columbia Pictures, Universal Pictures, Republic Pictures, and Monogram Pictures. The pact grants a \$75-a-week minimum salary for salesmen.

Officers of the union—headed by president Charles Dortic, of Albany, N. Y.—make up the Colosseum bargaining committee. Their next big job: negotiations with three more film distributors—United Artists, Film Classics, and Eagle Lion.

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LABOR BRIEFS

Strike ballots went out this week to 50,000 employees of Southwestern Bell Telephone Co. in six states. Their union (C.I.O.'s communications workers) wants authority to call a strike on 30-day notice.

Contract concession by C.I.O.'s steel union permits Lunkenheimer Co., Cincinnati, to continue the present contract without change to Apr. 15, 1950. Union agreed company earnings bar any rise in labor costs right now.

A 14¢ raise for 1,000 employees, of Schulte Cigar Stores has headed off a strike by the A.F.L. union. Hospitalization, sickness, vacation, and other "fringe" benefits remain unchanged.

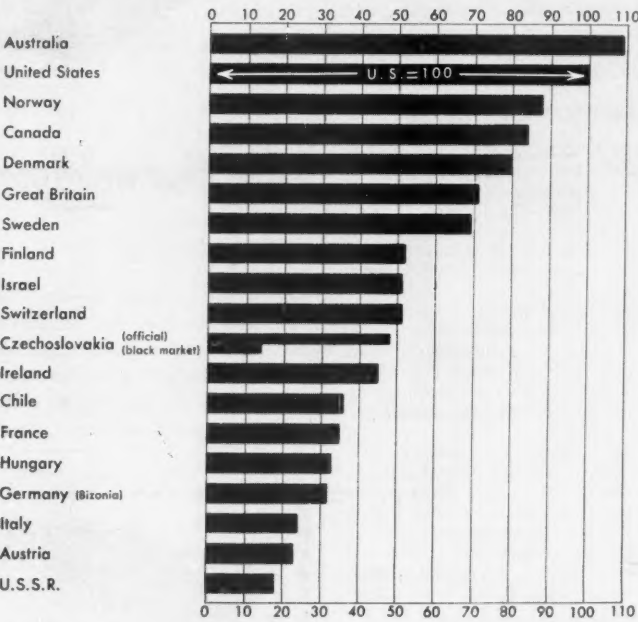
No rail strike is now in sight. The

Brotherhood of Locomotive Firemen & Enginemen has dropped plans for a walkout to protest rejection of demands for an extra fireman on diesel engines.

Pension switcheroo: C.I.O. unions have taken the lead, so far, in the \$100-a-month pension drive; A.F.L. unions have held back. But last week, C.I.O.'s textile union dropped pension or wage demands in the woolen-worsted industry until late 1950; A.F.L.'s textile union then announced it would try to get \$100 company-financed pensions in its woolen-worsted plants.

T-H affidavits may be required after Jan. 1 from anyone who NLRB thinks is a union policy maker. NLRB hopes to close some of loopholes that unions have used to evade the non-Communist oath rule in T-H. Meanwhile, Justice Dept. action on challenged oaths (BW-Oct.29'49,p104) apparently will be delayed until after Jan. 1 on a technicality.

How Much Food An Hour's Work Will Buy



Data: Bureau of Labor Statistics

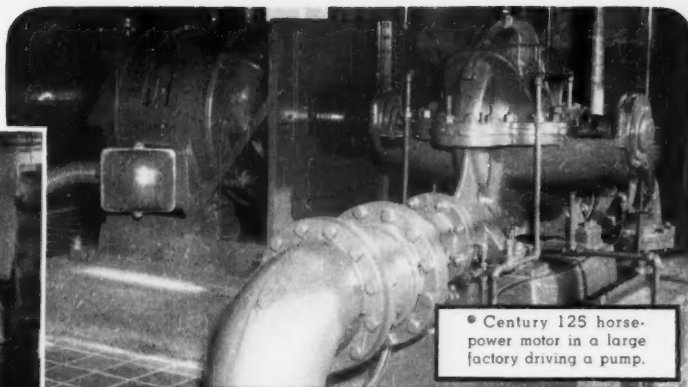
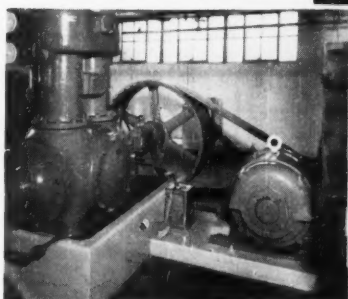
© BUSINESS WEEK

Fat, Medium, Lean Spots Around the Globe

How much food can you buy with an hour's work in the U. S., as compared with other countries? The Bureau of Labor Statistics recently sought an answer. It got labor economists to figure out the comparative time required in 19 countries to "earn" certain

basic foods, using October, 1948, to February, 1949, as the test period. U. S. workers came out in second place (BLS says figures "would move further in favor of the U. S." if nonfood items were considered); Russian workers rated a hungry, hardworking last.

• Century 100 horsepower squirrel cage motor driving a refrigeration compressor.

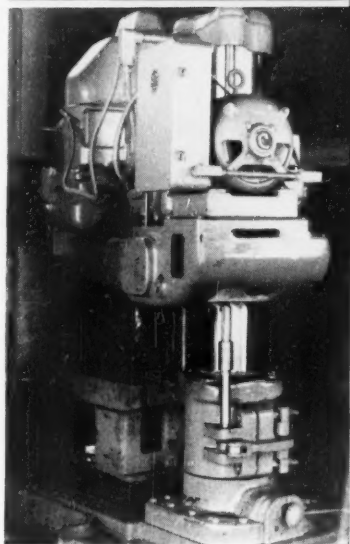


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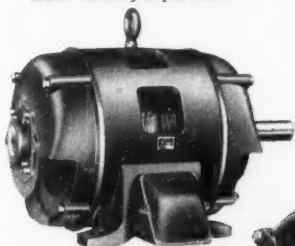
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INTERNATIONAL OUTLOOK

BUSINESS WEEK
DECEMBER 10, 1949



Ignore reports that Washington has plans to recognize Communist China. Any such move is a long way off.

The Administration will wait for tempers to cool in the U. S. And that may be a year or two.

But lack of recognition won't stop U. S. trade with China. That would be possible now (except for war goods) if it weren't for the Nationalist blockade.

Once the blockade thins out, though, U. S. traders will do business in China just as they did in Soviet Russia before the 1933 recognition.

•
The blockade, of course, has forced the U. S. to adopt an illogical policy.

On the one hand, we refuse to recognize the blockade as legal. To do so would be granting belligerent status to both sides, which Washington hasn't wanted to do.

On the other hand, Washington refuses to escort U. S. ships through the blockade, even though it is illegal. That would mean calling in the U. S. Navy against the Nationalists.

•
Meanwhile, the Communists have been able to blame the blockade for their economic troubles.

The troubles are real all right. The old inflationary spiral has started again in Shanghai. The U. S. dollar brings 10,000 Chinese dollars as against 3,000 a month ago. Factory output is 30% below last year.

But probably things would have been about as bad for the Reds without the blockade. The Nationalists have all the country's gold. And there's no UNRRA or ECA around now to help out.

•
Will Formosa end up in Communist hands?

The chances are it will, and before too long. It's merely a toss-up whether the island falls to the Communists from within or without.

There's no way for the U. S. to stop this by trying to hand Formosa back to Japan. In theory, that might be done via the Japanese peace treaty. But other members of the Far Eastern Commission would have to agree. And there's no possibility of that.

•
"Uniscan" is the latest program for economic unity in western Europe.

Its goal is to free trade between the United Kingdom and the Scandinavian countries.

The British are behind Uniscan. They have asked for a get-together with Sweden, Norway, and Denmark to talk over convertibility of currencies, free movement of capital and labor.

Uniscan may stand a better chance than prior union schemes. For some of the objectives already have been achieved. The British pound can now be used to finance trade between Britain, Norway, and Sweden. Denmark could be brought in without much trouble.

The big problem is to free the movement of capital.

•
The French are now dragging their heels on Fritalux—the proposed union of France, Italy, and Benelux.

Benelux wants this group to scrap all import quotas, slash tariffs, admit West Germany at once.

Paris says it will go along only if everyone agrees to (1) adopt common

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
DECEMBER 10, 1949

fiscal and social policies; and (2) get together in an investment bank that would integrate industrial investment.

In effect the Bidault government is asking for a new kind of cartel setup. Apparently it has no other choice. Demand for protectionism has been rising in France. Both management and labor want it.

•
British exporters aren't likely to get special incentives to boost dollar sales until the elections are over.

True, some London officials want to adopt the Dutch system. It allows exporters to use 10% of their dollar earnings as they please.

But the Labor government is holding out. Here's why:

Labor voters would not like the idea. They might say that British exporters were buying American cars out of "the workers' effort."

The Treasury fears that exporters would sell their dollars at a premium. This would encourage the sale of pounds for less than \$2.80.

The government doesn't want British exporters to buy more American equipment than they are allowed under present import quotas. If that happened, the planners might lose control of the official import programs.

•
Britain's shipbuilders are glum.

Revival of German, Italian, and Japanese competition has come—just when the world's big postwar shipbuilding boom is tapering off.

In 1949, British shipyards have had 2-million tons on their ways. Next year the figure will be closer to 1-million.

Already 15,000 out of 100,000 shipyard workers are unemployed. Union leaders have warned their men that only 25,000 can expect to have permanent jobs.

•
The British are bothered, too, by reports that U. S. shipyards will get bigger subsidies.

They don't think U. S. shipping policy fits well with Washington's advice to other British industries to cut costs and expand dollar exports.

Shipbuilding in Britain is already a highly competitive industry. Today British costs are at least 50% below American costs.

•
Russia is stalling on the Austrian peace treaty again.

Moscow's latest gimmick: Calling off the treaty talks until Austria pays for goods and services allegedly supplied by Russia since 1945.

The State Dept. thinks this is a phony, that Moscow will trump up another excuse if and when this issue is settled.

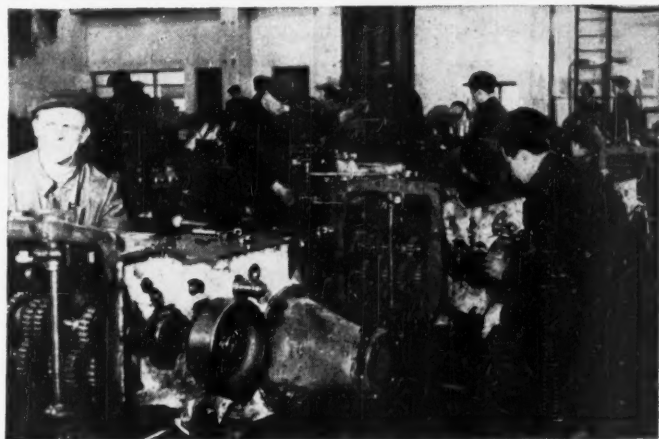
State figures that Stalin has decided to keep Russian troops in Austria indefinitely—at least until he can get rid of Tito. The same applies to Red forces in Hungary that have been acting as "lines of communication" to Austria. Both would have to go if an Austrian peace treaty were signed.

•
What will Stalin's birthday present be? The Russian dictator will be 70 on December 21.

It wouldn't surprise Washington if the present is an official announcement that Russia's postwar Five Year Plan has been completed. Kremlin statisticians can easily rig their figures to show that.

Then the way would be clear for a new Five Year Plan—a plan for the Soviet empire (page 101).

BUSINESS ABROAD



POLISH PLANTS will keep on turning out goods for Russia, while . . .



MANCHURIAN PLANTS, stripped by Russians, are re-equipped. Moscow has a . . .

5-Year Plan for Soviet Empire

New plan is likely for 1950, though goals of present plan haven't yet been reached. Satellite and Russian workers will be squeezed in effort to integrate Manchuria and eastern Europe.

Russia will probably get its second postwar Five Year Plan early in 1950, a year ahead of schedule. What's more, the new plan will be an economic program not for just the U.S.S.R. but for the whole Soviet empire—from the Elbe River to the Yellow Sea.

• **Evidence**—You can deduce the first fact from official Russian statements. Georgi Malenkov, Stalin's heir-apparent,

boasted early in November that Soviet industry already had surpassed its 1950 production targets.

As for the second, evidence is now appearing in the Russian and satellite press. Merging Manchuria and eastern Europe (including East Germany) into the Soviet economy is to be one of the two goals of Moscow's new economic offensive. The other goal: building an

industrial war potential as great as that of the whole capitalist West.

Linked with the new Five Year Plan is a political offensive, also scheduled for early next year—a final drive to liquidate Tito and bring Yugoslavia back into the fold.

• **Work in Progress**—Of course, a lot of the spadework for the "imperial" Five Year Plan has been done already. The Soviet-led Council of Mutual Aid, which was set up to offset the Marshall Plan, has worked like a suction pump—pulling industrial production out of eastern Europe into the U.S.S.R.

Now on foot are plans like these:

The Silesian industrial basin, now in Polish hands, is to be linked again with eastern Germany. The Silesian tie-up with Soviet-run Germany will be put ahead of existing plans for linking Silesia with Czechoslovakia. Polish Kulaks (independent farmers) who resist collectivization are to be shipped en masse to Siberia.

Czech industry, including textiles, is being moved from Bohemia in the West to Slovakia in the East.

Dismantled plants in Manchuria are to be rebuilt to about half their prewar capacity. Manchurian industry will then serve Russia's economic needs even more than China's.

Will the launching of this new Five Year Plan mean that the goals of the last plan have been reached? Almost certainly not. The Kremlin juggles statistics to suit its convenience.

• **Real Progress**—Still, an outsider can be sure of this: Soviet industrial output in 1949 was up considerably over 1948—probably as much as 15% in coal, 18% in pig iron, and 20% or more in steel. It's known that several large steel plants went into production this year in the Ukraine and in Siberia. Also that coal production in the Donets Basin was well above 1948.

And the Kremlin has apparently made real strides in building up industry behind the Urals. Intelligence reports reaching western capitals show that the population in Siberian industrial centers alone has gone up 2-million or 3-million during the past year.

Manpower for much of this Siberian expansion has come from the U.S.S.R.'s border regions (Latvia, Lithuania, and Estonia) and from Romania. Then, the Tartars of southern Russia have been largely uprooted and shifted eastward. Polish farmers are to be the next victims.

• **Unreal Progress**—There's no doubt that Malenkov was juggling his statistics early in November. At that time he claimed that Soviet industrial production in the fourth quarter was running 50% above 1940 levels, whereas the plan aimed only at topping 1940 by 48% in 1950.

What Malenkov did not say, was that



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1949 steel output would be 25.4-million tons, or coal output 250-million tons, or oil output 35-million tons—though these were the targets for 1950.

Of course, Malenkov could have reached his 50% figure by using the total monetary value of 1949 industrial output. In monetary terms, output in 1949 may reach the 1950 goal of 205-billion rubles.

But that fact wouldn't mean much. In 1947, the Soviet Government jacked up prices on almost all industrial products—in some cases as much as 30%.

Experts this side of the curtain refuse to take Malenkov's more grandiose claims very seriously. The evidence points to this conclusion: Basic industrial production at the end of 1949 was still far short of the goals set for 1950. At the same time, agriculture and the consumer-goods industries have actually fallen behind the original 1948 goals.

• **Reason for Claims**—What then is the idea behind official Russian claims that the Five Year Plan has been “fulfilled”? Such claims have obvious propaganda value both at home and abroad.

But there's another angle that's even more important. By using this technique, the Kremlin gets an extra dividend out of Russian labor.

Here's how: When a Five Year Plan is declared fulfilled, all piece-rate standards are jacked up. This is done, not on the basis of actual labor productivity, but on the fiction of the plan just completed. Thus, Malenkov said that labor productivity in 1949 was 14% above 1948. To the savvy Russian worker that's a warning that piecework standards will go up next year.

• **Satellites' Woes**—But, under the next Five Year Plan, it won't be just Russian workers that are squeezed. The satellite countries, too, are sure to get the short end of the stick.

You can see that from what's happened in the past two years.

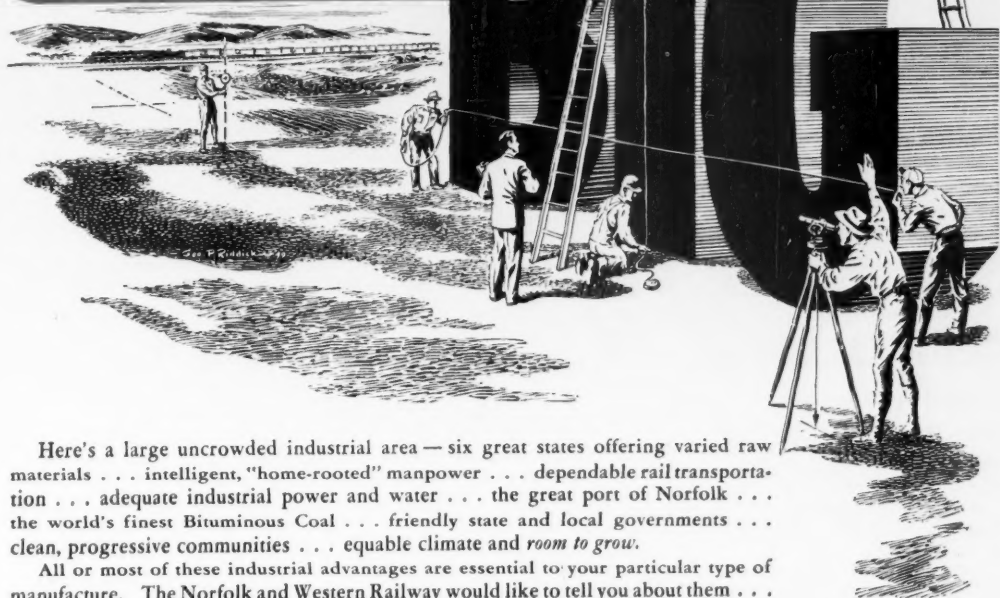
On the record, the satellites imported \$355-million worth of goods from Russia in 1948 and exported \$295-million to the U.S.S.R. That looks like a profitable exchange for the satellites.

But what the satellites actually got was about 50¢ worth of agricultural produce for every dollar's worth of their industrial products. The Russians pay about one-third below world market prices when they buy in eastern Europe and charge 40% to 50% above world prices when they sell there.

Today, Czechoslovakia is having to pay the piper for the Moscow-dictated shift of industries from Bohemia to Slovakia. Much of the machinery for this project must come from the West. So, the Czechs are now selling consumer goods, especially shoes, at below cost in the U.S. and western Europe. They will then use what they earn to buy the machinery.

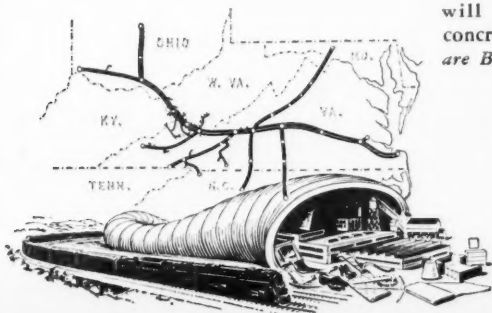
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JUNGLE BARRIER and lack of transportation are tremendous obstacles to exploitation.

Liberia Corp.: Lost in a Wilderness

Stettinius' program for Liberian development hasn't lived up to its billing. Most of its big projects came to nothing.

Development of backward countries is no business for amateurs. That hard lesson was brought home to onetime Secretary of State Edward Stettinius just before he died. Stettinius' vaunted Liberia Co. was at least dormant, if not flat broke.

• **Glowing Picture**—Two years ago Stettinius billed his new company as a model vehicle for getting private U.S. capital to work abroad (BW—Dec. 13 '47, p. 113). He painted glowing pictures of Liberia's resources: iron ore, diamonds, gold, oil, palm oil, cocoa. Starting with \$1-million in capital, he hoped to attract \$10-million over the first few years.

And Stettinius boosted the Liberians' hopes with talk of power projects, of railroads, of highways, and of sanitation facilities. He expected to get financing for these with the help of the Export-Import Bank.

Today, two years after Liberia Co. came into being, about the only assets left are: (1) a 200-acre cocoa plantation, planted by the U.S. government, which may start bearing in five years; and (2) a minority interest in a cold-storage plant in Monrovia, Liberia's capital.

• **Salvage**—This week Liberia Co.'s president Allen Morton, one of the original investors, is in Liberia trying to salvage what he can. Pan American Airways' president Juan Trippe, Stettinius' brother-in-law (who put some \$15,000 into the organization) is canvassing

companies here trying to get some help; he will be going to Liberia, too, soon. And Rudolph Hecht, president of the Delta Lines, New Orleans, is now in Liberia offering his services. The efforts of these men may save the development company yet.

• **More Than Enthusiasm**—One thing is sure, though—enthusiasm alone won't get many businessmen to open their checkbooks. Liberia Co. has learned that lesson the hard way. When Stettinius talked of oil, businessmen asked for proof. There wasn't any. In fact, as far as geologists know now, there isn't any oil in Liberia.

When Stettinius talked of timber, one businessman went over to see. He found that a greatly improved transportation network would have to be built before timber operations would be profitable.

Stettinius did find a taker when he talked of iron ore, but he missed his chance. New Yorker Lansdell K. Christie, president of Liberia Mining Co., Ltd., had already made surveys in Liberia; he had found proven reserves of 20-million tons of high-grade ore in the Bomi Hill region.

Christie needed capital badly to work the deposit. He offered to let Liberia Co. buy in for \$250,000. Stettinius couldn't deliver. But Republic Steel Corp. could. Republic now owns a sizable share of Liberia Mining, which expects to ship over 1-million tons of 70%

pure iron ore a year out of Liberia by spring, 1951.

• **Palm Oil**—Liberia has all the makings of a big palm oil producer. And Stettinius looked for big things in this field. The United Africa Co., subsidiary of the giant British-Dutch Unilever combine, has been funneling palm oil out of Africa for many years. Lately it has been casting envious eyes at the Liberia hinterland. But when Stettinius came over the horizon, U.A. decided to hold off, out of deference to Anglo-American relations.

Reports now coming out of Liberia indicate that U.A. is getting impatient. U.A. agents are reported to have distributed small oil presses throughout native settlements. And the export of palm oil from Liberia is said to have trebled in recent months. Some U.S. businessmen wonder why Liberia Co. let its chance slip by. Said one, "They thought they had to be pioneers when all they had to be was imitators."

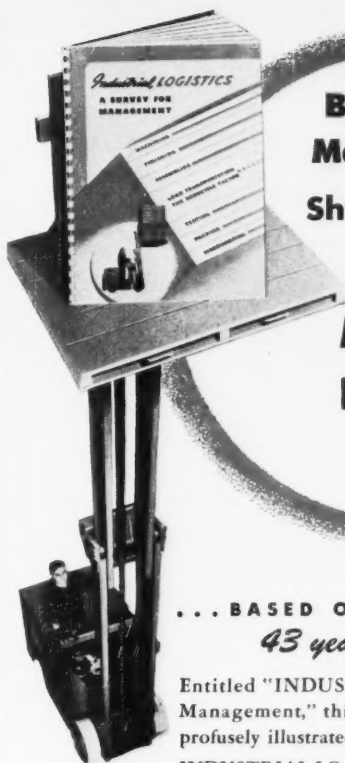
• **Exception**—One successful tie-up, though, was made with a Lancaster (Pa.) businessman, Glenn M. Wylie. Wylie sold or gave Liberia Co. a minority interest in his Liberia Cold Storage Co., Inc. The company has flourished selling frozen meats, fish, and ice cream to transient ships. Wylie has also built a 15-room hotel in Monrovia. He is now exploring the possibility of developing in other fields. Just what contribution Liberia Co. made to Wylie's operation is a moot question.

• **Command**—When Liberia Co. started out, its management chart was heavy with high-priced executives. Blackwell Smith, New York lawyer and friend of Stettinius from lend-lease days, was the first president. Smith, along with other top men, left six to eight months ago when most of the money was gone and results were lacking.

About the only Liberia Co. executive who had any reason to know Liberia was the vice-president, Sidney de la Rue. De la Rue came to the company from the State Dept.'s African Affairs Division. He represented the department at Liberia's centennial in 1947. Arriving in style aboard a U.S. warship, de la Rue was in a good position to lay the groundwork for Stettinius' later pilgrimages.

• **Understanding**—De la Rue is credited with masterminding the "Statement of Understanding" between Liberia Co. and the Liberia government. This agreement, which was to have lasted 80 years, gave Stettinius a virtual monopoly over Liberian development—outside of Firestone Tire & Rubber Co.'s thriving rubber plantations. So broad and vague were the terms of the agreement that most old Liberia hands doubt whether the Liberians ever knew what they had gotten into.


Actually, the agreement now seems



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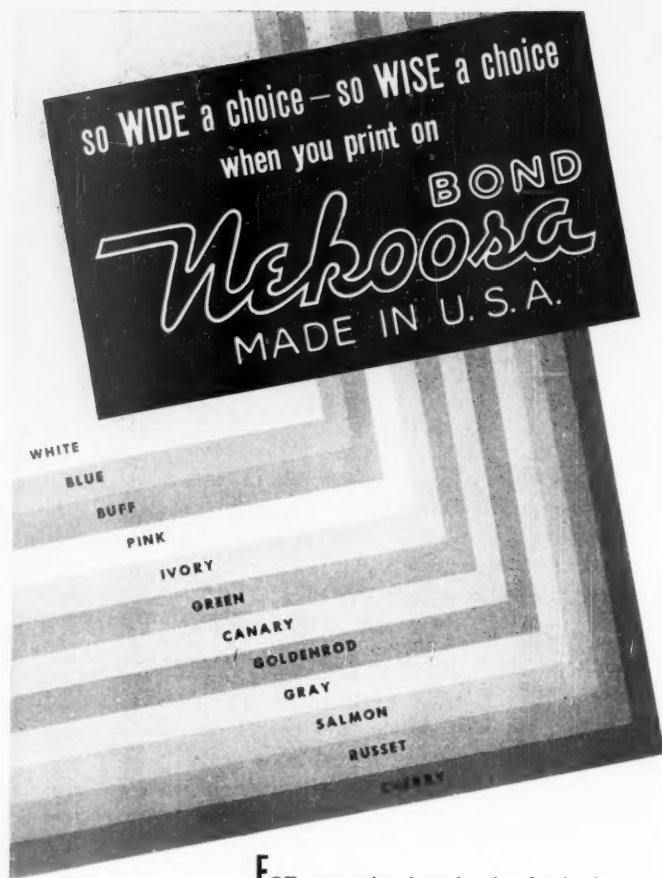
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to have been voided, at least in part. The non-Stettinius Liberia mining has been granted exploration rights throughout the whole country with an option to develop what it finds.

• **Disappointment**—Failure of his Liberia mission must have been a great disappointment to Stettinius. Some bondholders, most of whom were his personal friends, began to disaffiliate discreetly long ago. In desperation, Stettinius is reported to have gone to the White House for help before he died.

The Liberians, too, must be disappointed, even though they haven't given up. Stettinius gave the Liberian government 25% of his company's stock and set aside another 10% in a foundation for health, education, and sanitation projects. Stettinius' promises of large-scale public works were very attractive to a government whose total income last year amounted to less than \$5-million.

• **Morals**—Potential foreign investors, though, can find some sound lessons in Liberia Co.'s experience. They might draw up a primer that would run something like this: (1) Don't try to reform a whole country in one swoop; (2) hire experts to manage your foreign investments; and (3) find solid proof for your projects before you go looking for capital.

Netherlands Proposes Less Risky Risk Capital

AMSTERDAM—The Netherlands' finance minister, Pieter Liefstinck, has devised an ingenious scheme for taking the risk out of risk capital.

Necessity mothered his invention. In September, the government published an ambitious five-year industrialization scheme that will require an investment of some 5.6-billion guilders (about \$1.5-billion).

But the Dutch private-capital market, like many others, is almost dead. Heavy taxation and a ceiling on dividends are taking their toll. The money is there—savings are mounting rapidly—but it's going into investments that involve less security risks, such as pensions and life insurance.

• **Investment Trusts**—Liefstinck figures to lure some of this cautious capital back into the risk-bearing sphere. He plans to set up several investment trusts, run partly by the government. These so-called "transformer" agencies would solicit private capital, then invest their funds in a variety of industries approved by the government.

This system would give the investor the security of a diversified portfolio. The government plans to make his money even safer by guaranteeing the

investments of the "transformer" agencies.

• **Guarantees**—Guarantees would be backed by ECA counterpart funds in the Netherlands Bank—totaling at present about \$166.9-million—if ECA approves. So far, the Netherlands government has made no application to Washington for clearance of its counterpart funds for this purpose.

BUSINESS ABROAD BRIEFS

A branch plant will be built in Canada by British glass maker, Pilkington Bros., Ltd., of Lancashire. The eight-building plant will be set up in the Toronto area; estimated cost: \$3-million.

Brazil's Volta Redonda steel works will add two more blast furnaces to its present four, boosting production by 50% after 1951. Capital for the expansion has been arranged through the Export-Import Bank.

New distillery, Christopher Columbus Rum, Inc., has opened at Hornigueros, Puerto Rico. The company is a Segram's subsidiary.



Runs the U. S. Council

A world's-record miler is now managing director of the U. S. Council of the International Chamber of Commerce. Norman S. Taber, specialist in international finance, took over the job on Dec. 1, giving up his post as ECA budget director. He succeeds Alvin E. Dodd, who has been council director on a temporary basis. For 15 years, Taber was senior partner of Norman S. Taber & Co., New York, government financial consultants. From 1915 to 1923, he held the world's record in the mile: 4 minutes, 12.6 seconds.

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THE TREND

Security—and Opportunity

"Everybody's talking 'security.' No one mentions 'opportunity' any more."

That statement was made recently at a meeting of chain-store executives. It describes succinctly one of the most vital social and business problems growing out of the current interest in pensions.

Certainly the trend toward more pensions and bigger pensions is clear and unmistakable. The steel workers' union called a strike just to enforce its demands for company-paid pensions.

The cries of victory had not died down before Secretary of Labor Tobin launched a drive to make \$100-a-month pensions apply to all. Tobin said a sound insurance system should be enacted immediately which would give a minimum of \$100-a-month for any retired person in the U.S. His proposed law would include farmers, domestics, and the self-employed.

The amount that employees now covered by the social security act are required by law to pay for social security will be increased from 1% to 1½% on Jan. 1. Deductions will be made from paychecks beginning in January until a maximum of \$45 has been withheld.

All of these recent events indicate that the general public is bound and determined to have more security. We feel sure that businessmen in general will not quarrel with that desire. Employers have never taken a broad stand against the idea of pensions for those who reach the age of 65 or some similar level. Many companies put pension plans for their employees into effect voluntarily 10, 15, or 20 years ago. Those pension plans were started long before labor unions got the idea of insisting upon them. Many more employers have been sympathetic to the idea and have planned to work out

retirement-benefit systems satisfactory to both employer and employee.

There is little doubt that there is more personal insecurity in these days of a predominantly industrial economy than was the case a hundred years ago when the U.S. was primarily agricultural. The way we live and the way we work are different.

Nevertheless the widespread interest in security is alarming if it finally leads to obliterating the idea of opportunity. For the free competitive enterprise system will itself collapse if the idea of opportunity is discarded.

The word "security" has an attractive sound. It connotes freedom from fear, worry, and want. That is why it has such tremendous popular appeal. And it is also the reason why anything labeled "security" is not easy to criticize.

However, it can safely and soundly be argued that full reliance should not be placed on things solely devised to provide security. The value of opportunity to better one's position can be stressed without deprecating the broad argument for security. And the word "opportunity" has a pleasant sound, too. So it also can have large popular appeal.

We believe a positive answer can and must be supplied to the question: "Is there any opportunity left in America?" The chances of getting to the top in any business organization certainly have not diminished. Each year there are thousands of new management jobs that have to be filled. They will be filled by the young men who do not confine their thinking to security of jobs and pay.

The idea of opportunity in business is still salable. But it is not getting the kind of sales push it needs to balance the drive for boundless security.

Why Nationalize the Ruhr?

The Allied High Commission has had a tough problem to settle in the Ruhr district of Germany. It has to deal with grave fears about letting the prewar German owners run the important Ruhr industries again. The fear of future German aggression particularly concerns Germany's next door neighbors, including France.

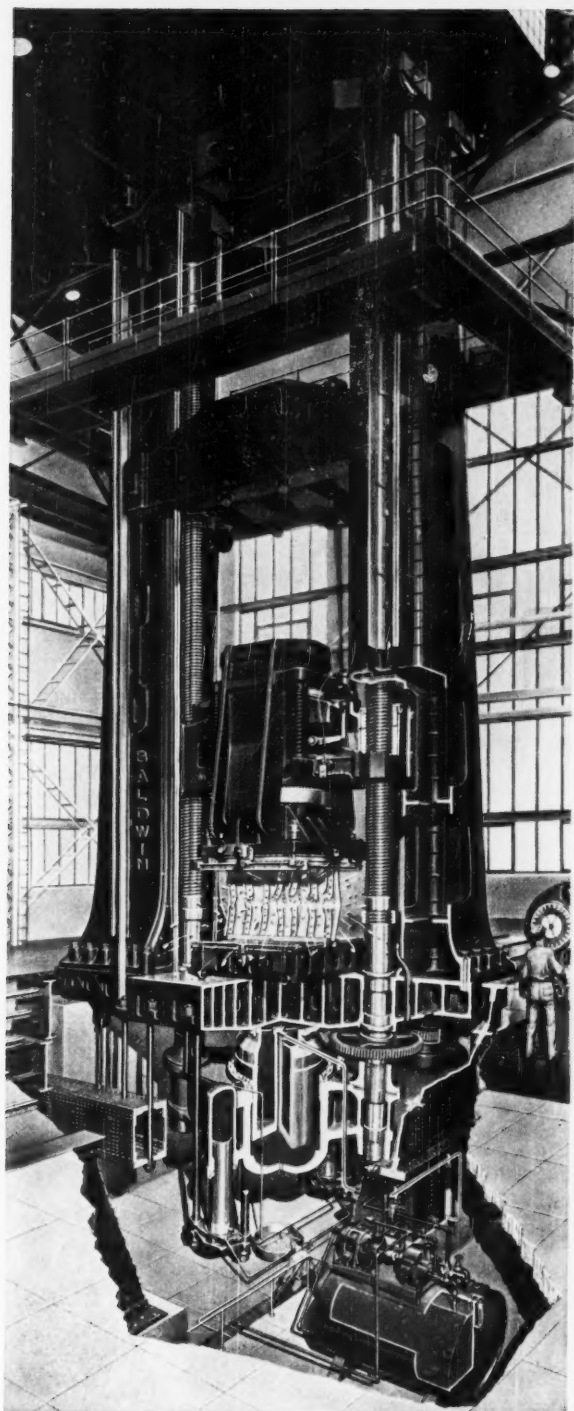
One proposal made early in the occupation was to nationalize the Ruhr coal and steel industries. Those who advocated that step felt it would prevent revival of the old cartel groups that always worked hand in glove with the militarists. However, on U.S. insistence, the proposal for nationalization was vetoed by the occupation authorities. Back of that veto was the belief that such a radical step should not be taken except by a freely elected and sovereign German government.

Last week, in Berlin, Walter Reuther, president of the United Automobile Workers, made a new plea for

nationalizing the Ruhr plants. He said that if the Ruhr industries were in the hands of the people they could be integrated closely to the rest of western Europe. He said ceilings and restrictions would no longer be needed and that the Ruhr could then produce for the common good of Europe in a great campaign "to turn out enough to meet people's needs—not just enough to satisfy existing markets."

The Reuther proposal is most interesting because it comes from a prominent American labor leader. For that reason, it sounds strange. It would have sounded less strange if it had been advanced by a labor leader in Britain where nationalization of industries is already well advanced.

We wish to raise only two questions about the Reuther proposal: Is he getting ready to make a similar proposal for nationalizing U.S. industries? And when?



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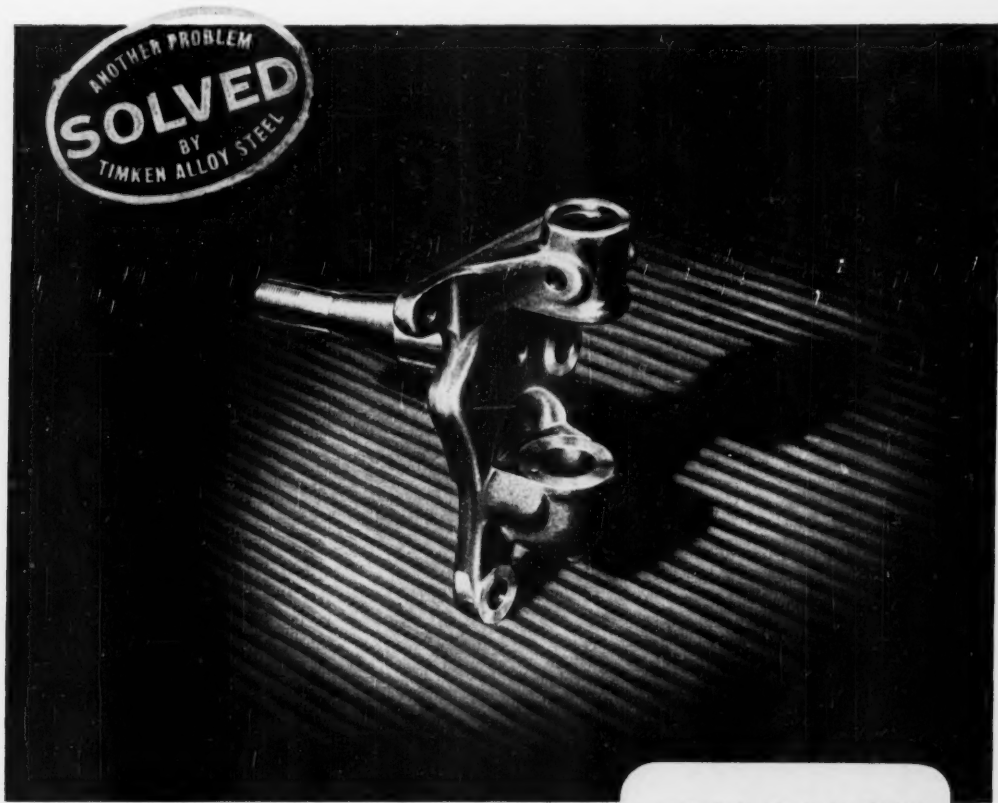
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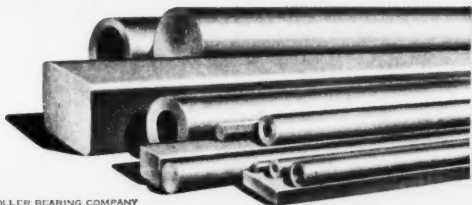
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